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Magazine of
Retail Credit

The CREDIT WORLD

"As the twig is bent so is the tree inclined." Millions of future credit customers will be starting back to school next month. Many college students will be using credit for the first time. Local credit associations should foster and encourage "credit-education" lectures and essay-contests in their schools and colleges as a character-building program.



"Protect Your Credit, Son! Future Success Depends Upon It!"

AUGUST, 1934



Vol. XXII No. 11

Three Ways to Use Your Emblem-- for Better Credits and Collections

1. Place the large emblem "decal" in every possible point of vantage, where it may be seen by customers.

2. Use the emblem electrotypes on all state-

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NATIONAL RETAIL CREDIT ASSOCIATION
1218 OLIVE STREET ST. LOUIS, MO.

The CREDIT WORLD

Official Magazine of the NATIONAL RETAIL CREDIT ASSOCIATION

August, 1934

Vol. XXII

No. 11

EDITORIAL AND EXECUTIVE OFFICES

1218 Olive Street

St. Louis, Missouri

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This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association.



In all other respects the Association cannot be responsible for the contents thereof or for the statements or opinions of writers.

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Report of Department Store Group Proceedings

The Department Store Group Conference, covering three half-day sessions at the Memphis Convention was a real "experience-meeting." Nearly a hundred questions—under five general headings—were discussed by the "question-and-answer" method. Credit executives from all over the nation participated in these discussions, so that the report of these meetings contains, in concise form, the composite experiences of these men on each subject.

Those in attendance decided that the proceedings should be published *verbatim*, not only to furnish a permanent, ready reference record for those who were there but also for the benefit of members who were not fortunate enough to be able to attend the Convention.

Advance orders for approximately 100 copies were placed during the Convention and the National Office has since received a number of orders. The proceedings are now being prepared for publication and we expect to start filling orders shortly. Send in your order now so you will not be disappointed.

Some of the topics covered in this report are shown below to give you an idea of its scope:

Interest Charging and Aging of Accounts
Returned Goods Rules and Practices
Carrying Charges on Deferred-Payment Accounts
Down Payments and Terms on Contract Accounts
Community Cooperation on Collections, Overbuying and Slow Accounts
Inactive Account Solicitation—Methods and Results
General Credit Questions:
(Limits; stricter requirements on new accounts; restricting purchases on past due accounts; re-establishment of credit, etc.)
Collections—Methods, Costs and Results
Pro-Rating or Liquidating Accounts
Trend of Collection Percentages
Bankruptcy and Debtor Court Experiences
Credit Department Mechanics and Expense
Deferred-Payment Account Problems

These are just a few of the topics covered—topics of vital interest to every credit granter. Order your copy now—check your experience with those of the other credit executives who "threshed out" these problems at the Group Conference.

PRICE \$1.50

Place Your Order Now

National Retail Credit Association
1218 Olive St. St. Louis, Mo.

EDITORIAL COMMENT

Now—A "100%" Membership Drive

OUR program this year is an ambitious one and we realize that to obtain maximum results for the Community Credit Policy and along educational and statistical lines, it is desirable to organize a retail credit association in every city, as a local unit of the National Association and affiliated with the local credit bureau. Likewise, to develop our Research Department to the desired point of efficiency requires an expenditure in excess of normal.

It has been decided to inaugurate a membership campaign, with the country divided into eleven regions, each of which will be headed by a chairman. There will be a chairman for each state and a chairman for each city, the local chairman being assisted by as many members of the committee as he deems advisable.

This will in no way interfere with the membership plan under which bureau managers are now operating and any members procured by bureau managers will be included in the local membership results. However, inasmuch as the credit bureau managers have in recent years devoted a great deal of time to membership work for the National, it is planned during this campaign to place the responsibility squarely on the shoulders of the credit manager. It is taken for granted, of course, that the bureau manager will cooperate with his local membership chairman and assist in every way possible.

Where local associations are organized it is contemplated that the bureau manager will be elected secretary of the unit, which will, as above stated, be affiliated with the credit bureau.

A membership plan which appears to have considerable merit was discussed at the Memphis Convention. No definite action can be taken on it, however, until the Rochester Convention in June of next year. A committee appointed by the President is to study the plan, as well as other plans that may be submitted and will make its recommendations in a future issue of *The CREDIT WORLD*. Every member will be given ample opportunity to study the details of the plan.

In the meantime, it behooves each member of the Association to put every effort back of the present membership drive, to assure its success.

It is suggested that we adopt a slogan—"100% National"—the cooperation of every member being counted on to this end.

There will be worth-while prizes for the regional, state and local chairmen reporting the largest number of new members over quota, the individual securing the largest number of new members, and the Association reporting the largest percentage of increase over its quota.

Membership helps, such as details for organizing and operating a local association, will be furnished the respective chairmen, together with credit and collection material which is given free to new members under our "5-Point" Plan and consisting of the following:

1. The "Blue Book" of Letters.
2. "Credit Education" Inserts.
3. Collection Stickers.
4. A "Decal" Membership Sign.
5. An Emblem Electrotpe.

The advantages of a local retail credit association as a unit of the National and affiliated with the local credit bureau are too numerous to enumerate here, but will be covered in "The Advantages of a Local Association," which will be supplied as campaign material.

While your General Manager-Treasurer cannot visit every city, he shall endeavor to cover as much territory as possible, starting out in September and continuing, as conditions permit, throughout the year.

We are counting on your help and influence, *whether or not you are a member of a membership committee*. Pride in your Local Association and in the National Association, and the benefits accruing to the merchants of your community will justify your cooperation and assistance.

It is realized that all participants cannot be winners. However, when the winners are announced, regardless of the outcome, it is hoped everyone will have the satisfaction of knowing that he did his best in the interests of the merchants of his community, of his Local Association and of the National Association, resulting in a strengthening of the whole retail credit structure. The knowledge of a job well done will repay you for the effort you put into the campaign and will be a source of satisfaction to you.

Quotas for each community will be furnished the regional, state and local chairman, and the standing of the teams will be published in *The CREDIT WORLD* each month. Membership prizes and personnel will be announced in the September *CREDIT WORLD*.

Hert New Research Director

IT IS with pleasure that we announce the appointment of Mr. Arthur H. Hert as Secretary and Research Director.

Since 1931, Mr. Hert has been Secretary-Manager of the Retail Merchants Association of Texas. Prior to that he was in charge of retail credit studies for the University of Texas Bureau of Business Research. Mr. Hert received his Ph.B. from the University of Chicago in 1929 and his M.B.A. from the University of Texas in 1931. His studies on retail credit problems have attracted international attention.

Under Mr. Hert's direction the Research Department will be reorganized—will become a fact-finding institution and will conduct regular studies on credit and collection problems. These studies will cover the whole field of retail credit—embracing all the important phases of credit and collection work, i.e.: (1) Monthly trends in open account and installment sales, (2) statistics showing actual costs of operating a credit and collection department, and (3) credit losses and their causes. The results of these studies will be disseminated for the benefit of the members. The community credit policy as successfully operating in many cities will be given further thought and study by the Research Department—based on fact studies of the experiences of those communities. Then, too, our advisory service for members will be developed further.

It is the intention of the new administration to make the Research Department one of its outstanding services—one to which members, regardless of type or size of business, may turn for authoritative data on any problem affecting credit and collection policies and procedure.

» » »

An Appreciation of the Splendid Work of Credit Bureau Managers in the Building of National Membership

YOUR National Office wishes to go on record as being deeply appreciative of the efforts of those bureau managers throughout the nation who so whole-heartedly gave of their time and efforts in securing National members under the "5-Point" Membership Campaign, which began in April and was to have culminated with the National Convention.

Results of this campaign were so gratifying that the new administration decided to continue it and new memberships are still being received from many bureau managers.

Space does not permit the listing, with personal acknowledgment, of the names of all those who

helped (and are still helping) so generously in this campaign but we want each and every bureau manager who participated to know that we of the National Office are extremely grateful for the spontaneous response to our membership appeals.

The "5-Point" Campaign, as originally outlined to credit bureau managers is to be continued until further notice—and we appeal to every bureau manager for a continuance of the same whole-hearted cooperation in sending in new members as has been in evidence in the past few months.

Beginning with the September issue, we will publish in *The CREDIT WORLD* each month a "Roll of Honor" for credit bureaus cooperating in this campaign, in which we will show two classifications:

Class "A" will show the names of bureau managers in cities of 100,000 or over who have sent in ten or more new members while Class "B" will list those in cities under 100,000 who have sent in five or more new members. Each month, the actual number of new members sent in to the time of going to press, by each person shown on the "Roll of Honor," will be listed.

» » »

"United We Stand—"

TO IMPROVE the efficiency of our Research Department and to accomplish the aims of your officers, it is important that every member cooperate 100 per cent in the development of the Department. When you receive a request for an article on credit or collection procedure, make every effort to comply promptly. Likewise, assist the Department by furnishing confidential figures which are necessary in the compilation of our monthly statistics.

The National Office cannot carry on alone. Its success depends upon the assistance and complete cooperation of its members. If you will do your part in building the Association and in developing it along educational lines, the National Office will strive to carry out your wishes in publishing such articles and data as is desired.

While on this subject, your Editors frankly invite your whole-hearted cooperation, your comments and criticisms, to the end that we may make of *The CREDIT WORLD* a real magazine, representative of the wishes of its readers. With your help we can make it the kind of a magazine you want it to be—without it we are working in the dark, with no way of knowing whether the magazine meets with your approval.

The success of the "Credit Clinic," instituted as a special service for members, to help them in the solution of their everyday problems, depends on the active interest and cooperation of members,

(Continued on page 24.)



Charging Interest -- Cleveland's Plan

By C. R. EGELER

Manager Accounts Department, Halle Bros. Co., Cleveland, Ohio

WHILE many of you have undoubtedly made a study of this subject, I believe that in order to refresh our memories at this time, we should review some of the fundamental purposes of charging interest on delinquent accounts:

1. To obtain compensation for carrying accounts beyond the regular terms of credit.

2. To discipline the habitually slow pay customer and educate him to pay promptly by charging for the time taken or for the loan of the money.

3. To promote the prompt payment of accounts in general, which would be accomplished principally by that great intangible factor—word-of-mouth advertising.

4. To prevent discrimination against those of our patrons who pay cash or within the prescribed terms of credit. This is a good argument to the patron who pays promptly and wants a cash discount.

5. As a cooperative measure, to assist the patron who has always been good pay, but owing to misfortune or business depression, or some other good reason beyond his control, is unable to pay promptly. Your obligation to this type of customer as a merchandising institution requires that you carry him, but you cannot do it in fairness to yourself or other patrons without making a charge for the service.

6. To reduce expense and prevent a continual increase in the cost of operation and consequent increase in prices on merchandise. This has been the constant aim of all retailers, particularly during the last few years. Consideration of this subject should be included in every expense-reducing program.

7. The policy of any reputable concern should be "one price to all" and unless a charge is made to the "slow pay" accounts for extra time taken, the one-price policy is not being followed and you would be justifiably subjected to criticism from other merchants as well as from customers.

Now let us take a few minutes to debate the arguments which have been presented against the interest policy.

First: *The customer will feel that he is paying for the privilege of being carried and consider payment of the account unnecessary and thereby lower the collection percentage instead of increasing it.*

The customer should never be led to believe that he is being carried indefinitely because of his acceptance of the interest charge. Collection effort should never cease except where it would be futile, such as in case of sickness or serious distress.

If this thought is instilled in the minds of collection employees, collections would certainly be no worse and possibly they would be better, by reason of those debtors

who are able to pay promptly, doing so in order to save the interest. Our experience and that of others who for years have charged interest is that collections are better than they could have been otherwise.

Second: *The high cost of computing interest and posting the charge slips to accounts.*

This cost is negligible, as you will find upon consulting any organization which is following the plan of charging interest. In our case, the expense is between 1½c and 2c for each posting. The total cost to sales is almost infinitesimal.

Third: *Some theorists say that interest charges on disputed accounts and those on which an adjustment is pending would of necessity be canceled or remitted, thereby causing extra work and expense.*

You do not charge interest very long on disputed accounts, as the carrying charge brings the customer in for completion of the adjustment as nothing else does, and after all, the thing most desired by all of us is the completion of adjustments with the least possible delay.

Fourth: *That you will at times be required to accept or refuse payment of principal and decide whether the account is to be continued or closed when payment of interest is refused.*

This is without question the most difficult part of the interest program for the credit manager, as it puts him "on the spot." It is entirely a matter of judgment and he must first analyze the account to determine its worth, and find out if the customer is habitually slow pay. He must remember his agreement with other merchants, if he has one, his obligation to the prompt pay customer, and must refresh his memory with the many other reasons why this interest is being charged, then make a judicious decision.

If this is the customer's first offense and a complete understanding was not had at the time of making the initial charge, it might be well, after obtaining a promise of compliance for the future, to credit a small charge provided that you were not required to carry the account too long before the objection was raised. When the interest is accepted month after month, the rule should be that silence is acquiescence. Refusal to remit interest has not lost business for us.

Fifth: *The objection has been raised that it puts us in the banking business.*

This reminds me of the story told about an attorney who called on his client in jail. After hearing the defendant's case, the attorney said: "Why, they can't put you in jail for that." Whereupon the client replied, "But, I am in jail." So, we are in the banking business and

why not receive the banker's compensation for the use of our money—interest?

We should remember that, when an account is established at any of our stores and the customer signs the application, he not only agrees to pay all charges within the terms outlined, but also to comply with all credit conditions required by the management of the store. This is really a contract between the debtor and the creditor, but when the terms of the contract are violated it ceases to continue as a binding agreement and any subsequent arrangement such as the charging of interest in consideration of the additional time allowed, is an entirely new transaction and not related to the original agreement.

There are times when we might care to charge interest on a balance of long standing and continue to extend credit for current purchases. In such cases a definite understanding should be had whereby the old balance is paid off gradually by monthly payments on which interest is charged and current accounts are paid promptly in full each month, regardless of the other balance.

We have such accounts and from the manner in which the suggestion has been received and followed, I am confident that it is one of the best ways of maintaining friendship and retaining good will.

The time allowed for the preparation of this subject did not permit of accumulating much data. However, at some time or other all of you have heard of the success achieved by the Youngstown merchants who began charging interest after six months and gradually worked up to thirty days from the date of purchase. You have undoubtedly read the trade papers and learned of the satisfaction experienced by stores who have operated the plan in Salt Lake City; Boise, Idaho; Wheeling, West Virginia; Peoria, Illinois; and in smaller cities such as Great Falls, Montana; Greenville, Texas; Cedar Rapids, Iowa; and Warren, Ohio.

Comments favorable to the charging of interest have been made by merchants in such cities as Portland, Oregon; Philadelphia, Pa.; Worcester, Mass.; Colorado Springs, Colo.; Chicago, Ill.; Washington, D. C.; Duluth, Minn.; and Charleston, S. C.

As Cleveland is the largest city where a *community plan* for charging interest has been adopted and has operated successfully, we naturally have received many inquiries on the subject. These were from all over the country, including the largest cities—Detroit and Cincinnati having been sufficiently interested to send delegations to make a study of this plan and its effects.

For a long time retail merchants realized that there was justification in charging interest on past due accounts, but because times were good and collection percentages satisfactory, they considered that slight delinquencies were not a serious handicap in operating the expense budget and all this

time the slow paying customer was getting by. Then came the recession in business and the financial depression and they realized that among other expense curtailments the slow-pay charge account had to be considered.

In Cleveland some of the stores began charging interest in a more or less hit-and-miss manner for several years prior to 1932, but during the spring of that year, recognizing the need of such a plan and learning of the success experienced by Youngstown merchants who pioneered in this field, the representative retailers of Cleveland appointed a committee of credit managers to make a study of the situation and present their recommendations for a community policy for charging interest. This decision was arrived at after realizing that many patrons for one reason or another, through no fault of their own, required time, in some cases a long time, beyond the regular terms of thirty days.

Of course this was not done entirely in the spirit of cooperation, but also from an economic standpoint, as all of you will bear witness a large percentage of accounts were at that time, and continue to be, a considerable expense when they extend from three months to an indefinite time beyond the prescribed terms. The committee met several times and after considerable effort a plan was agreed upon, effective June 1, 1932. It is as follows:

"In the initial charging of interest the charge shall be made on any account of which a considerable portion remains unpaid for 90 days. Interest at the rate of $\frac{1}{2}$ of 1% to be computed on the balance owing 30 days or more previous to the first of the calendar month in which the interest charge is made.

"Insert (see reproduction) should be sent on the first of the month or as soon after as the store considers expedient, and if payment of at least that portion owing for 90 days is not made within 10 days, the interest charge computed on the previous month's balance to be entered on your books.

"When an account shall have been paid and again becomes delinquent, interest shall be charged on subsequent delinquencies, the interest to be charged on amount owing more than 60 days. At the option of the credit manager, the time may be shortened to 30 days.

"The interest charge should not be permitted to become a deterrent in maintaining your collection process.

(Continued on page 32.)

CHARGE accounts are arranged as a special service and convenience to those who desire to pay in one sum, on or before the tenth of each month, for purchases made or service rendered the previous month.

In fairness to the thousands who pay promptly, representative credit grantors of Cleveland have adopted the policy of adding an interest charge to overdue balances.

If that portion of your account, now past due, is paid within ten days you will save this interest charge.

Your patronage is thoroughly appreciated and valued by our members and we are confident you will co-operate with them to the fullest extent possible.

RETAIL MERCHANTS BOARD
of the
CLEVELAND CHAMBER OF COMMERCE

Insert Used to Notify Customers of Interest-Charging Plan



Now -- "Credit Sales" Departments!

By CHARLES M. REED

President, National Retail Credit Association; General Manager,
Retail Credit Men's Association, Denver, Colo.

OUR department, the credit department, is looked upon, in a great many instances, as being a non-productive department. I hear that in my rounds: "It is a non-productive department." In other words, we are tolerated. We have a duty to perform and we try to perform it to the best of our ability, but, nevertheless, in the final analysis, we are a tolerated evil.

We have the public, on one hand, saying that we are against them; we want them to pay their bills; we look upon them as being dishonest. On the other hand, the sales department says, "You fellows are doing everything you can to hold down volume."

Now, you know neither statement is true. We are doing everything within our power to boost volume. Credit managers know that the greater the successful volume put over, the better the pay; if you want to view it from a selfish standpoint, the greater the volume, the better the pay. Sales departments should realize that.

I was called in to a store out in Colorado to address the salesmen, and one of the owners of the business said to me: "Please say something that will in a manner alleviate a very antagonistic feeling existing between our sales department and the credit office." I said, "Why that request? Are you having any trouble?"

He said, "Yes, I am having trouble. The sales department is forcing stuff through the office, and I know a lot of it is no good." I said, "Why don't you step in?" He said, "I can't antagonize the sales department." I said, "What is the matter with the credit manager, hasn't he any authority?" He said, "Well, you know, we want 'Ole' to sit on the job up there, be friendly and do the job well, but he cannot antagonize the sales department."

So, under the circumstances, let's inaugurate a sales department of our own; let's become sales managers of our own; let's make the *credit sales department* an outstanding department. After all is said and done, business, first, is built upon good will, the good will of those who come to us and purchase our wares.

When there is an argument with the customer, she will come into the department and, nine times out of ten, receive no satisfaction, but she is (tactfully or otherwise) steered upstairs to the credit man's office, and there he is; he is supposed to have the facts before him and is the great "overlord" of the business. He is there, he

meets her with a smile: "Mrs. Jones, now explain the trouble."

Mrs. Jones starts out with all sorts of fireworks, while the credit man sits there and smiles and, finally, the little lady cools down and gets down to business and tells him actually what is wrong. And in a tactful manner, nine

Editor's Note:

This article contains the high lights of an address delivered before the Twenty-First Annual Convention of the National Retail Credit Association, Memphis, Tenn., June 20, 1934.

times out of ten, that humble person, the credit manager, straightens out the case, the customer goes away satisfied, and her good will is retained for the firm. Her account, during the year, may be worth a thousand dollars, a hundred dollars or five thousand dollars, we never know, but that one point of contact starts the building-up process, *and the credit sales manager is bringing in volume when he does that.*

In the matter of promoting new business through the credit department, let us consider, for a moment, the great number of accounts we have on our books, ranging from ten to fifty thousand in number. How did we get them there? They did not simply drop in, we had to work for them; it has cost the firm money, through advertising, personal solicitation and otherwise. We have these accounts on our books, they remain active over a period of months or years and finally become inactive.

Out in our country, we have what we term the slag pile; the mining engineer will tell you that the slag pile is from the dump; that slag pile is supposed to be worthless, so far as metal is concerned. When those slag piles were accumulating there, we did not have machinery which would extract the gold to its fullest extent, consequently a lot of it went into the slag pile.

All right, today, we have new machinery, and we are working the slag piles over, and we are taking out hundreds of thousands of dollars worth of gold, out there in Colorado, from the old, abandoned, despised slag piles. In one city or town or community, the slag pile was built up against a church, a small church. There was

no way to stop it—finally, it was donated to the church. Recently, that improved machinery has been extracting that wasted metal, the church is becoming wealthy, very rapidly. So, let us liken our closed or our inactive accounts to the slag pile of a mining camp. We have them there, it cost us money to put them there, what are we going to do about it?

To go along hurriedly, I have a few things here, statistics, ideas, and so on, which I will bring to your attention briefly. We have something called the "half-way letter," which has been used very successfully in reviving the closed account. Now, the assumption is, when an account is closed, that the debtor may have died, moved away, become insolvent perhaps, cut off or something. Let us find out what has happened.

There was one firm that adopted the use of this so-called halfway letter, for a period. It is a letter, as you may see, one-half is for the customer and the store's message is on the other side. The store's message says:

This is your half. This is a different kind of letter—a halfway letter. You have not used your charge account for some time. There must be some reason why, and that is your side of the story. The other side is the side we wish to get.

Losing a good customer is like losing a good friend, we could not let either drift away in silence, without finding out if we have been at fault. That is our side. Won't you please meet us halfway. The other half of this halfway letter is yours. Will you please use it to tell us just what is wrong. We will consider it a personal favor.

That letter was sent out to twelve thousand inactive accounts, by the credit sales manager of one of our representative firms. Twelve thousand of those letters were sent out to twelve thousand inactive accounts; the returns were thirty-two hundred and twelve, or 25 per cent plus of the total responded.

Seven hundred were returned by reason of wrong address, fifty-three by reason of death, twenty replied definitely closing their accounts, by reason of the fact that they had moved away or were on a cash basis; some expressed grievance. The result, however, has been most gratifying. Of a small number expressing some sort of a grievance, the general manager of the firm personally contacted, by letter or telephone, each of those disgruntled customers and won back to the firm the entire number.

Here is one letter that was returned to the firm and it came into my hands. The customer writes:

Nothing wrong at all, and one of these days, well, you might be surprised. The times you have allowed me credit have been greatly appreciated.

And signed by the customer.

Working over the slag pile via this halfway letter has turned out to be a master stroke of salesmanship on the part of that credit department, and it is bringing back business. Thirty-three hundred accounts revived is a mighty good thing for any fellow, not to mention the bureau man!

We have another line in the building of good will, the handling of the cases which we must turn down, cases which cannot qualify under our standard. I will cite just one case:

A Denver credit manager, in the clothing business, a representative store, had placed upon his desk, the other

afternoon, six turndowns, "declines," and the customers had been told to come in the next morning and see Mr. So-and-so, "he will let you know about your account." In the meantime, the garments were laid aside. Six customers were interviewed the next morning; six customers were informed that the merchandise of this firm was the best they could get for their money; six customers were told that a cash transaction with this firm would lead up to credit transactions, later, and six customers paid cash to the tune of \$190.

This particular credit manager, a man with whom I have had many conferences during the month, is a salesman, and he does a lot of good in that little cubbyhole upstairs, overlooking the lower floor. He is selling the firm. It is a trick of his. He is a great gambler, he will call up about a case and get the record and say, "I will bet a cigar I will sell him for cash," and he wins many more cigars than he loses.

You know, it isn't a good idea to turn down a customer in cold blood, regardless of the fact that the customer may not be worthy of credit. Of course, if the customer is a known crook, it is different, but with the average turndown, you have to handle those people as human beings, and there the human equation enters the case again. You do not want the customer to form the wrong idea or conception of your firm.

It is no disgrace to be turned down, if it comes in a tactful way. Otherwise, it may drive away from the



"Otherwise, it may drive away from the store a purchaser who, later on, may well be able to buy in considerable proportion."

store a purchaser who, later on, may be well able to reach our books and buy within considerable proportion.

Something about the bonus system—interesting our clerks, our employees, in the credit sales department of our business: I have a number of cases which I could relate, but I am going to touch upon just one case:

This bonus system and campaign was started, in the last six months, by a very representative firm. The clerks

(Continued on page 17.)

September Means-- Opening New Accounts!!

*Prompt Action on Them Will Be Necessary!!
New Customers Judge You by Your Service!!*

**Can You--With Safety--Secure Credit Reports--Clearances--
In a Few Moments? And in Indelible Hand-
writing from Your Bureau?**

IF NOT

**Your System Does Not Operate With Telautographs
And Your Store Is Losing Sales Through Slow Deliveries!!**

TELAUTOGRAPH

(The Modern Method of Handling Credit Information)

Conclusive proof of the value of telautographs in the handling of credit information is provided in the increasing number of stores and bureaus adopting this service and in the enthusiasm of its users.

Telautographs completely modernize the old methods of handling credit data and will permit you TO WRITE, over wires, direct to the bureau, without the knowledge of the applicant, and secure a reply, in indelible handwriting, giving you the information desired. References, trade clearances, reports, etc., are cleared in this manner, in a few minutes' time.

Thus you will be protected against unnecessary credit losses by obtaining promptly, complete information before passing on credits and the cus-

tomers, unaware that his credit status is being checked, will be pleased with the courteous and immediate service he receives. When customers are accorded such treatment they naturally increase their purchases.

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New York City

Consumer Credit IN A Planned Economy

By DR. CLYDE WILLIAM PHELPS

Chairman, Department of Economics, University of Chattanooga,
Chattanooga, Tenn.



WE MUST first be clear as to the real meaning of the term "planned economy," and to grasp the significance of such a system, it is helpful to review briefly the fundamentals of the system it proposes to displace, namely, the old American system.

This country's system has been, from the first days of our national existence, what is called "capitalism" or "individualism," based upon five great principles or foundation stones: First, individual initiative as opposed to reliance upon government for the operation of business. Second, private ownership of property as against government ownership. Third, freedom of contract as contrasted to the restrictions upon mutual agreements and borrowings. Fourth, free competition as compared to monopoly, whether private or government. Fifth, dependence upon the motive of private profit as distinguished from the motive of public service in the running of business.

In brief, we have always depended upon individuals to take the initiative in business, spurred on by the chance of making a profit and acquiring property, to freely contract with one another and compete for the favor of the public. And so, credit seekers have been allowed great freedom from collective restraint in securing goods or funds on credit, the consumer from the retail credit manager, the retailer from the banker, wholesaler or producer, the business enterprise from the public through security issues, and so on.

Likewise, the so-called credit granter, or the person who gives goods or funds upon a credit contract calling for future payment, has been almost entirely free to use his judgment in extending the credit privilege.

Editor's Note:

This article contains the high lights of an address delivered before the Twenty-First Annual Convention of the National Retail Credit Association, Memphis, Tenn., June 19, 1934.

N The retail credit man, to be specific, faced little or no control in any action he thought best to take, in dealing with such matters as advertising of his credit terms, treatment of past due accounts, regulations concerning

returns and allowances, cash discounts, carrying charges for installment accounts and the like.

The credit man, in short, administered credit with a free hand and according to his own best judgment. He was influenced, of course, in his decisions by his credit bureau and by ideas and information from other sources and, occasionally, he was interfered with or dominated by his "boss," but rarely was his freedom to manage credit restricted or prohibited by compulsion from the outside.

Today, the credit manager still uses his judgment, but limits are being set up, through collective authority, restricting the area in which his freedom and judgment may function. That is why we say that the control of credit is passing out of the hands of the credit man into the possession of collective authority. It has not been completely surrendered but it certainly has appreciably shifted in the direction indicated, and the end is not yet.

As we assist at the demise of the old established system of free enterprise, as we search for some honorable tribute to its passing, let us remember that this old American system created the highest standard of living man has ever enjoyed; the most widely diffused prosperity in all history, and the greatest material civilization the world has ever known. But it brought a gathering of abuses trailing in its train.

Giving free rein to individual initiative and self-interest did not always work out so well, for we found that too many individuals were neither intelligent nor honest enough to act in such ways as were best for themselves and beneficial to society. Permitting freedom of contract and of competition did not always give each person his just remuneration nor protect consumers from stores, workers from exploitation, investors from swindlers, natural resources from robbery, nor ethical businessmen from unfair practices of rivals.

In the field of credit, firms characterized by a predatory credit policy have always threatened the profits if not the existence of credit granting enterprises. Predatory credit policies in the case of unearned discounts, credit terms, excessive allowances, unethical or misrepresenting credit advertising and the like, turned the field of credit into a jungle where unsuspecting consumers, ethical retailers and honest wholesalers and manufacturers struggled at shameful and tragic disadvantage.

The fringe of incompetent credit men joined the predatory firms, undermining the structure of credit, making a

football out of the very concept of credit, and thwarting the efforts of sound credit management to construct a community credit policy. It was a disgraceful condition, an intolerable situation.

So, for at least two generations, we have been busy enacting legislation to remedy the abuses of too much liberty and license under the old American system, but also preserving the basic principles of that system. This growth of restrictions and prohibitions of itself does not mean a planned economy. It simply means keeping the old established system and making it more serviceable by pruning abuses here and there. A planned economy signifies more than the establishment of restraints; it connotes not only a further enormous growth of such regulation, but also the enactment of that regulation in line with achieving some conscious, central, unified purposes.

The trend in the restrictions and prohibitions on private enterprise, in the past year or so, differs from those of the preceding half century in too many ways. First, in the enormous amount of regulation in such a brief space of time; second, in a definite trend toward a planned economy.

Now, there are apparently three main forms of a planned economy, three possibilities, and the choice is in our hands. Which shall it be? First, what I may call a voluntarily planned economy, toward which we seem to be moving under the "New Deal"; second, a Fascisti society; or third, a socialist or communist state?

At present, we are heading toward a voluntarily planned economy, which will retain the essentials of the five basic principles of our old system, although these principles will be definitely restricted to the extent necessary to make planning possible; a planned economy into which the members of each industry shall cooperate to plan the production, credit policies, sales policies and general operation of the industry, with the power of the government in the background to be used to protect the weak from the strong, the ethical from the predacious, the competent from the ignorant, and to enforce compulsory cooperation for the good of all, when voluntary cooperation fails.

Such a planned economy offers perhaps the greatest opportunity for self-government in credit and in general that you have ever had. It relies upon your good sense and your good faith to keep government back in the background. It allows you to determine, yourself, the kind and extent of collective control to be placed upon you and the plan to be imposed, as long as you put public welfare first. It delivers great power into your hands; power to exploit buyers, to oppress sellers, to harm competitors, unless you use that power honestly and intelligently.

You can misuse this power, or you can even refuse to cooperate with your industry and your community in voluntarily planning. You can, in short, either refuse to accept this type of planned economy or take it and wreck it by selfishness, ignorance and greed. But remember, when you refuse or destroy this chance at self-government, you are almost certainly forcing us into a far more restrictive type of planned economy, where the collective control and planning of credit will be superimposed upon us from above, by a Fascist dictator or a socialist or communist council of "commissaires."

But what is happening to credit as we progress toward this voluntary planned economy; what about its management; what about its supply and use? We have already seen that credit management is shifting from individual to collective control. This trend will grow more and more important as we continue into a really planned economy.

The collective control of credit, as implied in the NRA codes, thus far indicates what will happen to credit management in a voluntary, planned economy. The degree to which the judgment and freedom of the credit manager is restricted varies among the different branches of business, but we already find code provisions concerning such things as these:

Standardization of terms and discounts; filing of price lists, terms, discounts and other conditions of sale, with central authority; consignment selling, merchandise returned, unearned discounts, rebates, refunds, claims and allowances, false dating of invoices and false invoicing and billing, assignment of accounts receivable, standard contract form, interest rate, compromise settlement, trade-in allowances, uniform credit practice, treatment of past due accounts, including the charging of interest and the cutting off of all such accounts by all creditors, standard terms for installment sales, selling below published prices or below cost, commercial bribery, periods of free credit, delivery, advertising of credit terms and similar items.

Within such limits, credit managers are still free to exercise their individual position.

What will be the effect of this increasing collective control of credit? Will credit continue to be as vital a force as heretofore, or will its effectiveness be diminished by such restrictive measures?

The answers to these questions depend upon three main factors: First, the degree to which restrictions are presented; second, the real purpose of these restrictions; third, the authority imposing the restrictions and exercising the collective control.

First of all, it is obvious that the vitality and effectiveness of credit may be easily impaired or destroyed when restraints and prohibitions are carried to unjustifiable lengths, when they transcend the bounds of reasonableness and enter the realm of the arbitrary. It is evident further that when credit control is perverted to the extent of using it as a tool for the oppression of the weak by the strong and the exploitation of buyers by sellers, the social efficiency of credit is reduced and corrupted. Thus we now find representative retail interests protesting against certain credit restrictions which they feel are arbitrary, unreasonable, and designed to increase the profits of producers at the expense of distributors.

There can be no objection to a collective control of credits where the restrictions are reasonable and are employed for the purpose of strengthening the credit structure, rather than for the aggrandizement of particular interests. On the contrary, such control is badly needed and much to be desired, but the power to control may become, in the last analysis, the power to strangle and destroy, and danger is threatened from its misuse.

It is true that the hazards associated with attempts at planned economy and credit control are indeed formidable and many, but some kind of collective control of credit

(Continued on page 22.)

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Value-- Versus Cost

By HON. CAMILLE KELLY

Judge of the Juvenile Court, Memphis, Tenn.

WHEN invited to make this speech my first step was to check up on my standing with the Memphis Credit Men. I then gave myself the daring subject—"Value versus Cost." You men and women who help us to balance our budget are grave in this tense hour, but you have vision. You realize that the whole world is exchanging financial values for human values.

I am standing at a point of privilege. I have been judge of a Juvenile Court in a southern city for fourteen years. I have tried over thirty-two thousand cases during that time. I have seen children broken in pieces, and some of them helped and brought back to life, as it were. Many, grown to manhood and womanhood, have made good citizens.

The world seems to be awake on all values except behavior values. Our health budget, in a sense, is being balanced—we are studying preventive medicine—we are building healthy bodies and attacking disease from the preventive side. Right here in Memphis the plague of yellow fever stalked, and men and women died by hundreds, even those nursing the sick, dying as martyrs. That isn't the correct way to die.

We then built a healthy city and through sewerage and sanitation forever banished this dread fever from our midst. We made the attack from the other side. All over the country we have health regulations in schools. We build our children against sickness. So we have learned to balance our health budget.

Then came the recreational budget. We did not know what to do with our leisure hours—some of us had no leisure hours. Some men said they had not had a vacation for twenty years. They were so cross you dared not speak to them. They were so nervous they were not companions for man or beast. We then balanced our leisure hours with our business hours, or balanced our recreational budget.

Then our money values went to pieces and our banks failed, and tragedy walked in financial circles. At this point the great President of the United States said, "We must balance our financial budget"—and you credit men did your part. You began to put vision and psychology into balancing people's lives. You gave them balanced thinking about the fairness of buying and selling.

You cut down much of the high pressure salesmanship, but continued to work toward helping people to have the luxuries of life. It is right to have things that mean comfort, and we should have them without wreckage. Debt is an ugly monster, and a balanced financial budget is a fundamental requisite in modern-day living.

With the United States Government working with us we are balancing our financial budget. Last night General Hugh Johnson gave us figures and facts concerning our financial ratings.

We are not properly balancing our behavior budget. Penitentiaries, workhouses, reform schools are full to overflowing. People go into these institutions unclassified, and in many cases come out more disillusioned, disgruntled and dangerous than they were when they went in. We will never set this beautiful world in order until we make some attempt toward balancing our behavior budget. The scientific study of cause and effect is recognized everywhere except in the way we handle crime.

You wonder how this touches credit men or relates to the subject "Value versus Cost." The cost of crime is staggering. Intelligent social work or preventive crime medicine would yield the greatest dividends for the money expended. As long as we spend ten dollars on crime to every one for education, there is something fundamentally wrong with our program.

We have set the world in beautiful order for our children, but there are so many conveniences to living at this hour that young people are liable to take comfort as a matter of course. They do not seem to want to be obedient. Some of them are not self-disciplined. We do not make demands on their time and interest, perhaps. I told a young man in the court the other day that an airplane illustrates a vital point to me. If the control gets out of order you crash, and so it is with life—there is no freedom without control.

Youth doesn't realize what we have given to it. It doesn't realize the value or the cost. Youth is not ungrateful—it is not mature—it has not lived. Life, with its modern inventions is a different experience from what it was fifty years ago. We sat last night comfortably under the trees of the Country Club and listened to the voice of the speaker as it was brought through the microphone to the farthest person in the great crowd. The speaker reached Memphis in an airplane an hour before he was due on the program. Think of the rapid fire of such living!

Who gave all these different inventions to life? Not youth, but the age represented by those who sit before me now—this age of men and women who have prayed and grappled and loved—almost put their lives on the altar. They have given to this age airplanes, electric lights, telephones. We are speeding forward, but in spite of all this, we are not balancing our behavior budget and danger lurks in every corner from people grown violent from false handling and false thinking.

Recognition of personal obligations as citizens and helping toward setting our local and national government in order by intelligent voting will add much toward bringing social legislation and better living conditions. I think it is marvelous that President Roosevelt has recognized the value of social work. He has put money into the rehabilitation of people and homes. We are carrying too many people around in wheelbarrows and saying—"Even if you have a necktie or an automobile we won't give you bread." Human beings must not be torn down, humiliated and destroyed, but given hope and even meager rations can be given with a smile of encouragement and a plan of rehabilitation. I tell you that in balancing human values, you can almost invariably rehabilitate a person who is normal mentally and not a criminal; but you must build, not strike down.

I made just such a remark the other day and later a little woman came into court who looked hopeless. She didn't have a tooth in her mouth. Her hair was clean,

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but shaggy. She had on number seven shoes, when her feet were naturally number four. Any woman knows that a number seven shoe on a number four foot breaks down the morale of the woman. Knowing my optimism, one of my friends challenged me to rehabilitate this broken little creature.

With the assistance of my staff and volunteers she is now a new person. She has a full set of teeth, a permanent wave, if you please, a little print dress with an organdie collar, and shoes that fit! Her posture changed, her shoulders lifted, her tone of voice was entirely different. She is now keeping house for a man and his wife in Arkansas and has been removed from the rolls of the charity list and is self-sustaining. We spent less than \$50.00 on this one little experiment.

One of the first things in balancing our personal behavior budget is to recognize the value of an agreeable, pleasant disposition, and never forget your sense of humor. Good humor and a sense of humor are priceless tools with which to fight this economic war through which we are passing. A pleasant approach breaks down much nerve tension.

Little children are quite sensitive and when we go home and are tired we sometimes scream at our children. I spoke to a little girl once who looked like a wax doll. She was not more than three and a half years old. I was visiting her mother. Turning to me she said, "Are you going up town?" I paused and said rather deliberately, "Well—." She turned and said in a scolding tone, "Answer yes or no!" Her abrupt demand startled me so I was positively frightened and didn't exactly know whether I was going up town or not. The child took me off my balance by screaming at me, and I realized how

we break down every reserve and the mental equilibrium of our children by just such a process when we are selfishly on edge.

Sometimes we go home and a little fellow is full of himself—full of his report card—whether or not he must be vaccinated. Don't scream at him to hush. It is a sort of shock. One day we nurse them too much, and the next day we mentally slap them aside. We ought to demand more obedience and respect *and give more consideration.*

We are glad that age has been declared an outlaw. There are no young people and no old people. We are looking at things in the same light and largely with the same reaction. Youth and age can exchange much and make for a fuller life experience for both. There is much violence expressed at this hour and yet there are very few potential criminals when reckoned on a percentage basis.

Some leaders in crime are just persons who have been broken in spirit, disillusioned. Their confidence destroyed, their values whipped out of line, they have paid heavily for their experience and have turned away from you and me because they do not believe in us entirely. Have we set an example which makes for powerful, courageous good? Have we classified people held by the law, and trained and educated the ones worthy of such effort, and made rigid laws to hold those who represent actual danger to society? Have we used authority with conscience and with great care?

I insisted to the Chief of Police at one time that his new patrol wagon with tiny little holes in one end which looked as if they had been punched through with a pencil, would break down the morale of the prisoner (being carried to the police station) because there was no fine, fair thinking expressed in the building of such a patrol wagon. The next time I saw this same carrier I noticed that around the upper edge for two or three inches it had been broken out and steel bars inserted, giving both light and air, but not disclosing the identity of the occupant.

If everyone in the United States would wake up in the morning, honest, fair and ready to serve in the cor-



"Penitentiaries overflowing . . . we spend ten dollars on crime to every one for education"

rect way as to behavior, your depression would be over, your money values would immediately stabilize and every necessary adjustment required in human life would result.

(Continued on page 20.)



"Here's How!"

By A. B. BUCKERIDGE

Executive Manager, The Credit Bureau of Greater New York, Inc.,
New York City

THE subject, "Here's How," gives me extreme latitude, so I will devote my efforts to the possibilities of a "New Deal" in the National Retail Credit Association.

The legislative work of the National Retail Credit Association is one of our most important duties. In this field of endeavor, there are many possibilities which should be developed. I say that with emphasis, because nothing that I say in regard to the possibilities of legislative work is to be construed as any criticism of the work done in the past, because a great deal of work has been accomplished by the Counsel and Legislative Committee. Most of the following suggestions are the ideas of the present Counsel and Legislative Committee members.

The question of bankruptcy is one of the most important. A determined effort should be made to have the following amendments included in the present law for the benefit of merchants, business, and professional men:

1. To exclude necessities of life from petitions in bankruptcy.
2. Where merchandise has been purchased within four months prior to the filing of the petition, it should be up to the bankrupt to prove that the merchandise was bought with honest intentions. This will prevent individuals from "loading up" with merchandise and then filing a petition.
3. To provide for amortization of debts over a period of months or years where the debtor can or will pay if given time, but cannot clean up his obligations within a limited period and is being constantly harassed by his creditors. Such a plan will be without the stigma of bankruptcy but more in the nature of a moratorium under Federal jurisdiction and with the bankrupt's affairs administered by Credit Associations or Bureaus in order to reduce the cost of handling to a minimum.
4. Withholding of discharges in bankruptcy where it is shown that the bankruptcy was brought about by extravagance or dishonest motives.

The Legislative Committee of our Association should be the connecting link between the retail credit interests and the government. This Committee has another important function in acting as a clearing house for information regarding credits and collections, whenever bills are brought up in the State Legislatures which affect our profession.

The Legislative Committee should also secure a résumé of the laws affecting credit and collections from

every state in the Union, and compile them in the form of a handbook which members will be able to buy at a minimum cost.

The Legislative Committee should be a source of information on all legislative matters in which the membership as a whole is interested. The committee should regularly disseminate information regarding legislative bills pending, as well as bills which have passed and become law, through *The CREDIT WORLD* and in broadsides to the bureaus that they may in turn keep their members fully informed.

It should be organized to mobilize the membership when quick action is necessary to arouse support in aid of any project or legislation which may be pending. Lists of all Senators and Representatives should be provided for those credit and bureau managers who do not know the correct person to contact. And the letters and telegrams should be sent simultaneously, in order to create the greatest effect.

The Committee should find out what legislation is needed, set up a program and have it worked out well in advance of each session of Congress. Each state should be organized and the procedure of action thoroughly outlined, so that when the word is given, everyone will know just what to do, when to do it, and whom to contact. Then we will get somewhere.

One of the new ideas which has been expressed is the dividing of the country into eleven districts, with each electing its own director to the Credit Managers and Bureau Organizations' Board of Directors.

With the eleven districts, there are great possibilities for making a greater National Association. I cannot help but believe that each district will be able to stage a con-

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vention of its own each year, that will reach and teach far more members than was ever possible before.

With a district convention, more will attend, feeling that they have problems which are more similar than those of Credit and Bureau Managers from far distant

points. The cost of attending will be small enough to enable a great many Credit Managers and Bureau Managers to take in the session, who never were able to attend National Conventions before.

Can you imagine eleven miniature National Conventions with similar programs? The results of their meetings will be consolidated into a booklet that would give, each year, the most conclusive credit and collection data obtainable. Another benefit from district meetings would be the development of new blood, new leaders in credit affairs. Without a flow of new material, any organization fails to progress. There would be a better exchange of ideas and systems. More leaders would be developed, because of the concentration of territory.

Still another task of the National Association is along educational lines. The library of books which are of interest to credit managers and collection managers who sell to consumers is hopelessly inadequate. How many books are there on installment credits and collections? What do you do when an energetic young member says he would like to study the best ways of extending installment credit or handling installment collections? The National should see that books are written by the best credit managers available on every subject dealing with credit (and collections) to individuals. The fundamentals of our profession should be available in printed form to every person interested in bettering himself or herself.

There are thousands of firms around the country where the boss of the store is the credit manager. He does not have time to make the detailed study of credit and collections that is necessary for him to stay in business, so he needs a short and simple outline of the best method of handling that part of his business. He will not read a big book that tells about expensive machines and equipment and how to delegate duties to scores of employees, but he will profit from a booklet that condenses the fundamentals of our profession.

The locating of "skips" is a science in itself. So, why not have a competent authority show you how to do it, in a book put out under the auspices of the National Association?

The National Association should have a Speakers' Bureau, so when we have conventions or wish a speaker for our monthly or annual meetings, we can secure a list of orators on subjects relating to our own business, or of a serious or humorous nature, and the cost.

Greater attention should be paid to having educational courses to teach credit and collection managers the best ways of handling their departments and to enable juniors to handle their work more intelligently, as well as to prepare them for stepping into the shoes of the credit managers when they become owners of the business.

In the membership of the National Association, you will find hotels, public utilities, finance companies, dairies, realtors, personal loan companies and hundreds of other classifications. Why not appoint a Chairman for each group and, through the National Manager, work out a uniform credit and collection policy which pertains to their particular problems, that they may benefit from those firms which have efficient credit systems.

In every city of the country, you find countless small firms, who are losing money because of faulty credit and collection procedure, which are waiting for someone to

show them the right way to go about it. A series of booklets can be published and sold at a profit to such firms through the National Association via the individual Credit Bureaus. They can be used to secure new members.

The National stickers and collection inserts have been extremely valuable. This is a department that the Association can develop to a much greater extent.

May "1934" witness the creation of a new National Retail Credit Association that will aid the credit manager in doing his work better than ever before and, at the same time, see that he gets the proper credit for the constructive job he is accomplishing.

» » »

A credit loss on one bad account will frequently eat up the profit on a dozen good ones.

—The Credit Exchange, Minot, N. D.

» » »

Isn't It Queer?

"Isn't it queer," said a business man, "how much time and thought we give to purchasing a few little pieces of merchandise to stock our shelves and how quickly we challenge an incorrect invoice for a few cents or an overcharge on expense—how much care we take to keep our merchandise clean and well displayed even though it be a ten-cent brush—and yet how little investigating we do before we give credit to people who are practically strangers to us?"

—Retail Merchants Assn., Inc., Denton, Texas.

In St. Louis it's
Hotel Mayfair
8TH & ST. CHARLES

Hotel Mayfair & Lennox
St. Louis

Dear Bob:
Excellent places.
these Hotels - real beds,
comfortable rooms and
delicious food. Real
location too - right
in the heart of the
business district.

Yours,
Tom

Hotel Lennox
9TH & WASHINGTON
\$2.50 and up



Facts--Only Basis for Credit Policies

By ARTHUR H. HERT

Secretary and Research Director, National Retail Credit Association

THE new National organization set up as adopted at the Memphis Convention, provided for the reorganization of the Research Department. Under the new plan the department will become a fact-finding institution—gathering on a national scale, facts and figures affecting the operation of retail credit and collection departments and disseminating the assembled information for the benefit of the entire membership.

I find that as far back as 1920 the members of the National Association were of the opinion that a Research Department was needed for the development of pertinent facts and figures for credit granters throughout the United States. During that year *The CREDIT WORLD* published monthly statistics on credit sales and collections.

It seems then, that for a long time many of our members have been thinking about problems that are in need of further study and our expanded Research Department will be more than glad to receive these suggestions. There can be no question of the fact that interchange of comparative figures and experiences among credit men will result in untold benefit to them.

With your cooperation, this department can be developed into a service of inestimable benefit, and we ask the unstinted cooperation of all members—that every member may be benefited. Every credit granter has had perplexing problems at some time or another. It is our mission to gather information in order to help you solve those problems. Facts—instead of mere opinions or guesswork—will enable individuals as well as communities to develop credit policies and practices which will place credit granting on a business basis—will reduce credit losses and by so doing, increase profits from credit business. The fund of exact knowledge in the field of retail credit is woefully inadequate. It is the purpose of your Research Department to remedy this condition.

We contemplate compiling nation-wide figures on a monthly or annual basis on the following:

- (1) Charge and installment sales.
- (2) Monthly and installment account collection percentages.
- (3) Percentage of returns on charge and installment sales.
- (4) Percentage of loss on charge and installment sales.
- (5) Costs of operating credit and accounts receivable departments.

This data will be classified according to the various types of stores:

- (a) Department
- (b) Furniture

- (c) Jewelry
- (d) Men's Clothing
- (e) Women's Specialty
- (f) Miscellaneous.

These figures will then be grouped according to geographical regions. Each region will be subdivided into its important cities. After these figures are compiled they will be published in *The CREDIT WORLD* each month. A sample of collection percentages for the month of June for selected cities is shown on the opposite page.

Many cities at present compile monthly collection percentages from various types of stores, through the medium of their local retail credit bureau or retail merchants association. We expect those cities who follow this procedure to cooperate with the National Office in sending in their figures each month. In other cities that do not gather these figures, the Research Department will assist in securing them.

We wish that our finances would permit us to send a representative to your office once a month to secure the necessary data. Inasmuch as this is impossible, it will be necessary that we rely on our members to send in the data monthly. You can easily see then, that the success or failure of our Research Department depends entirely on the cooperation of the membership at all times.

The information will be considered strictly confidential and will be keyed in such a manner that only the Research Department will know the identity of each store reporting.

It is my intention to conduct technical and economic studies in connection with the gathering of monthly data. Then, too, we will be able to assemble information in answer to *specific problems* that might be requested by our members from time to time. A few days ago a member requested some information on down payments and interest charges on fur coats. We made an analysis of the policies of a number of stores and sent a summary of our findings along with the "agreement" form of the member stores of the Associated Retail Credit Men of St. Louis, pertaining to this problem.

If the questions are of sufficient importance to our members we will gather information from many cities instead of a few selected ones. In other instances we will be able to answer questions and assist our members from the information contained in the files in our National Office.

Our Research Department, in order to be effective, must present all facts and figures as it finds them, in an unbiased manner. It cannot manufacture information for the benefit of any particular member or group. It

can be compared to the great news-gathering agencies, searching everywhere for information pertaining to the problem at hand and analyzing and presenting it exactly as it is found. On the other hand, credit research cannot be considered the physician for credit illness, but a fact-finding endeavor, and it only remains for the individual credit granter to assimilate the assembled information and apply it to his specific problems.

The Research Department has been reorganized at the request of the membership, in response to a long-felt need. It is hoped that you will cooperate when called upon to send us confidential facts and figures about your business, and that you will also take full advantage of this new department.

» » »

(Note: Since making up the Table below, we received the collection percentages from San Francisco for the month of June, 1934, as compared with June, 1933. They are as follows: Department Store Open Accounts, median 1934, 42.27—1933, 35.50. Department Store Installment Accounts, median 1934, 18.84—1933, 17.41. Men's Clothing Stores, median 1934, 39.50—1933, 34.25. Women's Specialty Stores, median 1934, 35.60—1933, 35.03. Shoe Stores, 1934, 40.98, and 1933, 35.95.)

Now--"Credit Sales" Departments!

(Continued from page 7.)

who were in on this were awarded a bonus of one dollar each for turning in names which reached the books, or names of those who might make application. During this campaign, eleven hundred and sixty-seven names turned in were accepted; the total purchases recorded in this instance amounted to \$35,000. This thing has been going along and, over an average of a number of months, this plan has been bringing into the firm from \$5,800 to \$6,500 monthly, through these new accounts. These are people who were contacted by the salespeople on the floor, as they came into the store.

There are a number of other plans of which I know and of which I have records, but I am not going to go into them, as time is short. In closing, however, I just want to say one thing more for the credit managers, and I am not saying this for any reason other than out of my heart and in the deepest sincerity.

We have got to get down to business, we have got to improve ourselves. It does not apply to all of us, perhaps, or to many of us, but we have to make our influence in the business felt.

Comparative Collection Percentages--June 1934 vs. 1933

	NEW YORK		PITTSBURGH		BIRMINGHAM		ST. LOUIS		TEXAS ⁹	
	1934	1933	1934	1933	1934	1933	1934	1933	1934	1933
Department Stores²										
Average—Open Accounts	47.60 ¹	45.70 ¹	45.20	40.61	39.80	29.10	50.83	44.30	36.0 ¹⁰	30.9 ¹⁰
Highest Percentage Reported	62.20	55.90	57.60	64.20	41.90	35.40	59.97	54.17	49.8	46.0
Lowest Percentage Reported	41.00	40.50	33.00	26.00	37.08	22.80	43.60	37.51	28.2	25.1
Department Stores										
Average—Installment Accounts ..	17.87 ¹	17.50 ¹	16.09	16.24	14.81	10.38	18.44	17.51	—	—
Highest Percentage Reported	24.51	21.10	20.10	21.70	18.40	13.80	24.95	21.08	—	—
Lowest Percentage Reported	11.00	10.90	11.54	10.00	11.71	6.96	15.19	15.20	—	—
Furniture Stores										
Average—Open Accounts	—	—	—	—	—	—	—	—	—	—
Highest Percentage Reported	54.70	—	—	—	—	—	61.70	59.90	—	—
Lowest Percentage Reported	—	—	—	—	—	—	—	—	—	—
Furniture Stores										
Average—Installment Accounts ..	—	—	—	—	11.49	—	13.70	—	—	—
Highest Percentage Reported	37.10	—	—	—	13.00	—	17.40	15.50	—	—
Lowest Percentage Reported	—	—	—	—	8.50	—	10.00	—	—	—
Jewelry Stores										
Average of Stores Reporting	—	—	57.25	35.27	—	—	—	—	—	—
Highest Percentage Reported	22.70	9.00	69.00	36.50	22.70	16.40	56.00	46.60	—	—
Lowest Percentage Reported	—	—	45.50	34.05	—	—	—	—	—	—
Men's Clothing Stores³										
Average of Stores Reporting	47.55 ¹	42.25 ¹	—	—	43.28	26.10	42.08	38.63	36.8	34.7
Highest Percentage Reported	60.50	55.10	—	—	60.00	28.21	42.80	41.20	—	—
Lowest Percentage Reported	40.80	40.00	—	—	35.30	24.00	41.25	35.10	—	—
Shoe Stores										
Average of Stores Reporting	—	—	55.70	46.90	—	—	—	—	—	—
Highest Percentage Reported	—	—	67.40	55.80	—	—	—	—	—	—
Lowest Percentage Reported	—	—	44.00	38.00	—	—	—	—	—	—
Women's Specialty Stores										
Average of Stores Reporting	46.20 ¹	44.60 ¹	—	—	—	—	41.04	36.02	38.4	29.9
Highest Percentage Reported	60.80	60.10	—	—	—	—	48.30	46.60	—	—
Lowest Percentage Reported	29.30	27.38	—	—	—	—	36.50	29.70	—	—
Miscellaneous										
Average of Stores Reporting	60.36 ¹	60.90 ¹	60.00 ¹	58.00 ¹	65.56 ⁸	—	—	—	—	—
Highest Percentage Reported	98.00 ⁴	78.00 ⁴	85.47 ⁸	84.06 ⁸	70.00 ⁸	—	50.80 ⁷	43.00 ⁷	—	—
Lowest Percentage Reported	34.90 ⁸	35.76 ⁸	7.50 ⁷	14.50 ⁷	62.70 ⁸	—	—	—	—	—

¹Median.

²Also includes Women's Wear for Pittsburgh.

³Also includes Women's Wear for Birmingham.

⁴Cleaning and Dyeing.

⁵Carpet and Rug Cleaning.

⁶Food Store. ⁷Coal.

⁸Tires, Gas and Oil.

⁹Sixty-five Stores.

¹⁰Annual volume over \$500,000.

The Advantages of Credit and Credit Associations

By CHAS. H. BRYANT

President, The Des Moines Morris Plan Company,
Des Moines, Iowa

YOU should build a strong credit association and credit bureau in your community, because it will make money for your business men, not only for today but also for future generations. Someone has said "When you build, you pay to the unborn what you owe to the dead."

A properly run credit department will sell more goods than any cash store and make more money, also sell merchandise at the same price as cash stores. Why? Volume! Volume is necessary for profit—credit is necessary for volume.

"Credit buys more than all the gold in the world." In the few minutes following, I wish to tell you something of the advantages of credit, of a well-managed credit department and—credit controlled by cooperation through membership in a good credit association and through a modern bureau.

Credit has done more to increase the wealth of this nation than all the mines of the world. Credit has built our railroads, opened mines, spanned rivers, built cities, improved farms. It moves our commerce and wages war. At the peak of our prosperity we had 750 billion dollars in bank clearings. How much gold or silver or currency changed hands? Less than 10 per cent. How much of your income is spent in cash?

Ninety per cent of all commerce and trade is in credit. Yet there are some who believe all credit should be abandoned. Credit came in with civilization when men began to have faith in each other. To revert to cash would be to throw out of gear all industry.

What can credit do for you? Your average credit customer will buy three times as much as a cash customer, therefore you must wait on nine cash customers to get the same volume. To be more specific, the National Credit Association has compiled figures to show that a credit customer opening a charge account will buy over a period of time—in a clothing store \$85, ladies' ready-to-wear \$235, furniture \$250, department store \$275, jewelry \$250 and grocery \$20 per month (on an average).

The customer with a charge account has confidence in your store. He comes in, makes a purchase, has it charged and is gone in less than half the time it takes to wait on the cash customer, *because* he has confidence in the store; he knows if the article he buys is not satisfactory it can be returned. He saves time, you save clerk hire and clerk's time.

The customer who has a charge account is "Your Customer." The cash customer is a shopper who goes from store to store, a will-o'-the-wisp, feeling no obligation to

anyone. Open a charge account with him and you have bound him to your store with hoops of steel.

The bond of friendship between the credit customer and the store is closer because the clerks learn the name of the charge customer; they know his business; they favor the credit customer. Because of this bond and closer association it is worth money to your store.

Here is an example: A man told me that he received a letter from the credit department of a large store in Des Moines, asking why he had not used his charge account of late, and regretting the loss of his business to the store, and asked if he had received discourteous treatment or if there was any reason why he had quit buying at this store.



"The bond of friendship between the charge customer and the store is closer . . ."

This man said he dictated a letter, saying that he had not quit trading at this store, but had quit using a charge account anywhere and that if they would take the trouble to inquire they would find that he had spent \$600

with their store in cash last year and expressed surprise and disappointment that they did not keep better informed about his patronage. The store was not to blame. They have no way of checking up on cash transactions. The close touch of the credit department was not effective at the cash register.

Credit has built some of the oldest institutions on this continent. Hudson's Bay Company is the oldest corporation in North America. The business was founded solely on credit, extending credit to the Indians for food until the fur catch in the winter, and this has been going on for 400 years. Credit is a builder of volume but it also builds good will. It builds something into a store that is human.

The stores extending credit create a bond of friendship that no chain store can equal. They are building that intangible something—"Goodwill" a priceless thing. "When you build, you pay to the unborn what you owe to the dead."

How do you suppose your customers feel toward a store when they are confronted with the sign "In God we trust, all others must pay cash"? Don't you suppose they have a feeling that store is here for cash only and after it gets enough will move away? Such stores are not building for the future, but only for the once over and their whole attitude reflects it.

One more thing about credit service: You are rendering a distinct service to your customers, a service of convenience, because it brings to their attention in a business-like manner, their household expenses all properly itemized and the individual's family budget is more easily controlled and evenly distributed. Purchases can be charged and deliveries made on order over the telephone. A charge account establishes a credit standing.

I have told you something about the advantages of credit. I wish to tell you something of a credit department in your own store. Do not mistake this important post. This department head carries your current quick assets in his pockets, so to speak. What is the most liquid asset in your business? Not your real estate, not your furniture and fixtures, not your stock of merchandise, but your accounts receivable.

This party should be somebody with rare judgment, and a high sense of responsibility, and should receive something more than minimum NRA salary.

"Your credit man can be your best salesman." The old conception of credit used to be: "Buy something and pay for it at your own convenience, or maybe not at all." But a good credit man, when a customer asks for credit, knows it is his duty to explain terms of payment, obtain proof from the customer of his character and not only his ability to pay, but also his willingness to pay on the terms you make and not his own convenience. Not everybody is entitled to credit. Not everybody—even with good character.

The ability to pay is part of the credit transaction. Credit is an invisible medium and should not be extended only on what the customer has, but a whole lot on "what you are." Credit is based on faith and confidence; faith in the customer's promise to perform. Credit is earned, not bought or inherited by the individual.

To those of you who are extending credit, I would ask, how do your Accounts Receivable compare with other asset values? If your experience is like ours, you will

find that they have not shrunk as much as most other material things. The "stuff" in human nature called character, has not thinned out. Man's spirit may ebb and flow, but the ruggedness of his character—never.

It is the one thing that has stayed put through thick and thin. This is not a myth, we in our business have abundant proof—in figures and living examples of many, many characters, with whom we have dealt, who have been weighed in the balance and not found wanting. We are still loaning "par" on character. Its value has not slumped. It has staged a "comeback" because it is the one thing that never went away.

Effective credit control demands:

1. Adoption of sound credit policy.
2. Customers' understanding of credit terms.
3. Consistent collection policy and procedure. *Profit is made on the turnover of the account.*
4. Constructive community credit policy.
5. Cooperation of all members of the credit association.

A credit man's decision is no better than his facts. Before he can trust another, he must have knowledge of the customer, either by personal contact or assured information. Where can he get such information? The facts, gentlemen, can be obtained in two ways: By personal contact which limits your scope because of the time element—or through the credit bureau. A credit bureau is a "Listening Post."

"Exchange of information through a bureau is the most effective." The credit man's judgment is no better than his information, and guessing is bad business. There is no place you can receive this information as quickly, correctly and unprejudiced as through a bureau. This information is usually the latest, actual ledger experience. There is a great temptation to call the other credit man direct—don't do it—everybody should use the credit bureau. It works two ways. It is not only what you get from the credit bureau, but also what you give the credit bureau. You leave something there every time you call, and you are building something. Not only will you find the paying habits of everybody in your community, but your own local credit bureau gives you a direct hook-up with 1,300 other credit bureaus scattered all over the United States.

It is estimated that these 1,300 bureaus contain the paying records of 60 million people. What a wealth of valuable information is available to us for only a small fee and our cooperation. It behooves us to support our local and national associations, because if we do not, our customers will go where this service is provided. It is a matter of competition. A bureau manager living near Des Moines told me he had been offered, by a retail firm in Des Moines, a large price for a preferred list of well-rated people living in his community so that this firm could conduct a direct mail campaign. I repeat, it behooves us to support our local bureau and provide this credit convenience to our customers to hold the business at home where it belongs. "Let us build so as to pay to the unborn what we owe to the dead."

In conclusion: Use credit to enlarge your volume and render your customers greater service. Cooperate with your local credit association and bureau.

Value -- Versus Cost

(Continued from page 13.)

With the starting of my oldest child to school I began to realize how closely the laws and the behavior of the big outdoors relate themselves to the home. The home is never less than the center, but should not be the circumference of a parent's or any person's universe. All business is set in motion as a feeder to the comfort and security of the home. In the process of changing from the old idea to the new, in mode of living, disciplining of children, broadening of society's standards and requirements, youth has been faced with the staggering job of getting its equilibrium.

A modern juvenile court functioning properly is in effect a blood transfusion to the body politic. All courts touching human behavior should be patterned, in greater or lesser degree, after the order of a juvenile court, with probation, mental and physical examinations, and a study and program of rehabilitation for the individual handled.

Speaking of your own children—children in protected homes—I would again suggest a study with classification to find values and talents. Don't crush your children into the profession of your choice. Perhaps conditions cheated you in the fulfillment of your ambitions. Your children are individuals and have their own ambitions, and the world is so geared that we can train them accordingly. A mother once told me she was *making* a musician out of Mary because all of her life *she* herself had longed to be a musician. Mary showed no talent for music and I cautioned her that she was "making a nervous wreck and not a musician out of Mary. Maybe Mary is a civil engineer." She should study Mary's mental and spiritual set-up and help her to become a harmonious note in the "music of the spheres."

Beauty is another thing to be considered in every walk of life and every phase of life experience. This is the Southland. Memphis is in the heart of Dixie. Southern folks love each other, love the "stranger within their gates," and we believe we "love our neighbor as ourselves." We are so glad to have every one of you as friends and visitors today. The South is full of beauty—all of God's world is full of beauty. Don't ever lose



"We build our children against sickness but—how about behavior values?"

your ability to appreciate a sunset—the power of color and the relation of joy to everyday living.

The way you put things up to your children as to harmony or discord serves to build or break down nervous systems. Nothing is happier or healthier for a human

being than to find the profession or the business to which he is best adapted and work untiringly for success. We pay dearly for our mistakes. Value versus Cost! What we pay for what we get, and what we are willing to pay for what we really want, is a sort of relative quality. Viewpoint plays its part.

Speaking of the difference in viewpoint: A little negro was sitting in the front pew of a church and he continued to turn and look at the door. The parson looked at him with dignity and said, "Young man, what are you looking for? Are you looking for salvation?" The young boy stammered, "No, sir, no, sir, boss, I was just a-looking for Sal Johnson."

Citizenship, in my humble opinion, is the step necessary toward balancing our behavior budget. A recognition of the obligation to vote on governmental issues—the study of social and civic community, national and international interests—the renovating and renewing of the prison program throughout the country—all these things will make for a safer and a happier world, and not until we balance our behavior budget in some degree will we have the security of peace. The old idea of politics has gone. Politics is the "Science of Government," and the time has come for us to drive the power of government into social work, and the vision of social work into government.

Let us appreciate the New Deal—this new hour in history. Let us put our hearts and heads together, making the great United States our home. Let us recognize the power of brotherly love, without sectional feeling, without criticism of people in politics or out of politics, in authority or out of authority. Let us—with one accord—balance our behavior budget. This means starting at the breakfast table each day with a balanced idea of service.

"Value versus Cost!" There never was a time when music, laughter and love fitted so beautifully into work, into prayer and into service as it does at this moment. Let us fight selfishness, self-righteousness and irritability and crossness, and remember that it is necessary to love much if we are to bring order out of chaos at this changing hour.

It has been a genuine pleasure to address you—a privilege to break mental bread with you in my home town. My subject is a vital one. That which governs every business and every social enterprise is, in its last analysis, the proper recognition of "Value versus Cost."

» » »

Eighth Semi-annual Retail Credit Survey Reflects Improvement in Business

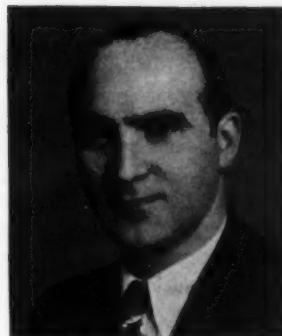
The Eighth Semi-annual Retail Credit Survey, just released by the United States Department of Commerce, covering the period of July to December, 1933, reflects improved business conditions in both sales and collections. Sales show an increase of 5.8 per cent over the same period in 1932. For the first time in four years, credit sales show an increase and cash sales a decline. Bad debt losses also show a decrease for the first time in four years.

Collection percentages for the July-December periods were 36.7 for 1933 against 33.9 for 1932 on open accounts and 13.2 for 1933 against 11.7 for 1932 on installment accounts. Copies of the report may be obtained from the Superintendent of Documents, Washington, D. C., for five cents each.

"Pro-Rating" or Pooling Accounts

By BERNARD B. CANTOR

Manager, Adjustment Department, Retail Credit Association
of Portland, Portland, Oregon



FOR many years it has been recognized by credit executives that a large percentage of delinquent debtors consider the Bankruptcy Court their haven of refuge from the efforts of creditors to enforce collection of their accounts. Much of the loss, running into thousands upon thousands of dollars, could have been prevented, had the credit manager intelligently reviewed and interpreted the problems of these financially involved debtors and outlined to them an arrangement, which would have made possible a plan of liquidation satisfactory, not only to the debtor but to the creditor as well.

The evolution of business; the necessarily drastic changes in the methods of selling; the radical change in the extension of credit—all of these contributed to the pyramiding of accounts for individuals whose financial responsibility certainly did not justify such liberal credit. The period of unemployment and reduced earning capacity which affected thousands of wage earners, forced upon the minds of business men the extreme necessity of combating the overwhelming number of bankruptcy petitions which were being filed daily. Many of these were the results of threats against the debtors and continued harassment until, driven almost to desperation, they were forced to resort to the only avenue of protection known to them—bankruptcy.

It became increasingly apparent that the small margin of profits should be protected against heavy loss of accounts receivable, and so, the *pooling of accounts*, practiced as far back as the year 1910, was considered the most feasible solution to the almost unsurmountable obstacle in the path of increased collection percentage.

The pooling of accounts is exactly what the name implies. It makes possible the liquidation of an indebtedness, through a central clearing point, and the disbursement to creditors, of their percentage of the monies collected, in proportion to the amount due them as against the total indebtedness.

As Manager of the Portland Office, which is admittedly the most successful of all adjustment departments in the Pacific Northwest, in the handling of "prorates," it is possible for me to present to you concrete evidence of procedure and accomplishments. Coordination of effort and cooperation on the part of non-members as well as members of the Retail Credit Association have resulted in bringing about a situation to be highly desired by other cities.

In Portland, every employer of any sizable personnel recognizes the importance of the Adjustment Department, and considers that office as the medium through which their employees, if involved, can be given an equitable op-

portunity to liquidate their indebtedness. The majority of the cases handled in this office come upon the suggestion of employers to whom creditors have appealed for assistance in the collection of their accounts.

The Public Utilities, such as Gas, Electric, Telephone, Street Car, all cooperate by approving wage assignments to make possible the satisfactory liquidation of an employee's indebtedness. Factories and businesses of every nature and description, likewise, give assignments for the same purpose.

Particular pride is felt over the action of the City Council, who, in January, 1933, passed an emergency ordinance, whereby they legalized for the first time the assignment of wages due city employees. They named the Adjustment Department as the only Trustees to whom such an assignment could be made, thereby indicating, in no uncertain terms, their realization of the importance of protecting the rights of the taxpayers against the loss of accounts owing by city employees.

Many creditors, having extended unlimited credit to an individual, for no other reason than that he worked for the City, eventually found it necessary to appeal to the highest authority—Chief of Police or Chief of Firemen—for assistance in the collection of such accounts and to impress upon such persons the urgency of paying the accounts to avoid possible dismissal from the service. In such cases, if the difficulty appears to be the result of financial irresponsibility, the man is sent post-haste to make an arrangement whereby the interests of his creditors will be safeguarded, and future complaints eliminated.

In this connection, it is timely to cite a very recent shakeup in one of the main branches of City control. Seven firemen, all of whom had received discharges in bankruptcy, which caused the merchants to lose several thousands of dollars, were suspended by the Commissioner of Finance in charge of that department, for a period of thirty days. They were instructed to make arrangements with the Retail Credit Association for the payment of this entire loss or to forfeit their jobs.

Five of these men did make such an arrangement and were returned to work within a matter of two or three days. Two refused to do anything about their accounts and were discharged from the service. They are now appealing the decision of the City Council to the Civil Service Commission, and the Portland merchants are watching with much interest the decision. Should the action of the Council be upheld, the result to the business men of Portland will be so far-reaching in scope,

(Continued on page 29.)

Consumer Credit in a Planned Economy

(Continued from page 10.)

appears inevitable, for credit is the very lifeblood of business, and its abuses and mismanagement affect the entire business structure. Think back to the crisis which became this depression and the misuse and maladministration of credit by private enterprise, free from restraints. We have been suffering for five years from a terrific overexpansion and maladjustment of business, which was brought about by means of the wildest credit inflation in all our history.

Under the influence of steadily increasing sales and rising profits, the whole country went drunk with credit, borrowing and spending, mortgaging their future incomes for months and years ahead, and plunging into debt over their heads, for the purchase of real estate, securities and other goods. There was no possibility of stemming the hysteria, for there was no mechanism for intelligent, collective control. The control of credit was in the hands of a multitude of credit managers, each acting only for himself, and the activities of the predatory, the ignorant and the incompetent credit men cancelled the efforts of the competent credit executives, and so debtors wallowed in credit which unethical and unsound credit managers freely accorded or even forced upon them.

With the aid of dishonest, unfair and unsound credit management, the delicate fabric of credit was inflated, stretched and torn to shreds. Manufacturers, wholesalers, and retailers engaged in unhealthy, unwarranted and unscrupulous credit practice. Bank credit management violated the most elementary principle of banking, by mixing together commercial and credit operations.

Investment credit management flooded the country with a maze of securities, based upon unsound extension to borrowers at home and abroad. Speculative use of credit, uncontrolled by the Federal Reserve System, mounted into billions of dollars, while consumers increased their burden of installment debts to threatening proportions.

Unwise extension and inflation of credit became general, and unsound and unfair credit practices grew rampant, as we raised a staggering, top-heavy structure of debt. Nowhere was there credit control, and the bubble burst and broke. The American people, the whole nation, suffered because credit had been abused by uncontrolled, incompetent and unethical hands. It was an indictment of planlessness, an argument for credit education, a brief for credit control.

Do we not need more education in credit work? Do we not need higher compensation to attract intelligent and ethical men to credit management? Do we not need to accord credit managers positions of greater responsibility and prestige, if we are to secure men of the necessary competence? Do we not need some self-government, some collective control to prevent ignorant and predatory credit policies from destroying the credit system?

To conclude, let me say that the long-existing, unsatisfactory position and income of the credit man, the lack of education and ethics in credit work, and the widespread abuses in the field constitute an imperative need which demands an immediate remedy, and the remedy is in your hands, my friends, and what are you going to

do with it? The remedy is in your hands to advance credit management and to safeguard the credit structure by credit education, by the development of social conscience, and by self-government for collective control. This is your opportunity, this is your challenge, and I have just come to say that I have thought you are big enough to take it.

» » »

"It's Not the Direct Losses--"

"I'm not *primarily* interested in preventing direct losses," recently said a member. And I looked my astonishment.

"I'm not primarily interested, as I say, because I naturally expect every account that I take on shall be a good one. I'm mighty careful in my 'check-up' previous to taking an account on, and our losses from bad accounts have been small. Our real losses come from carrying, for three to six months, accounts that were sold on thirty-day terms. Accounts slowing up from one to three to six months make it necessary to borrow money at 6 per cent when as a matter of fact, I should not have to borrow money.

"The thing that interests me in a credit report is whether the customer is a usual thirty- to sixty-day account or if he drags you to four or five months.

"Losses principally come from *lost interest on accounts carried too long* rather than on accounts charged off as uncollectible."

—The Credit Bureau of Dayton (Ohio), Inc.

Greatest Hotel Value in ST. LOUIS

● \$2.50 a Day is all you need pay for a big, airy, comfortable room with bath.

● In the very center of everything worthwhile in St. Louis.

● Finest of food in the Melbourne Dining Room and Coffee Shop.

● Excellent garage facilities.

Q. P. GREATHOUSE, Manager

MELBOURNE HOTEL
LINDELL BOULEVARD AT GRAND AVENUE

Have Faith In America!

By WALTER W. HEAD

President, General American Life Insurance Company,
St. Louis, Mo.



MANY of our sociologists, many of our economists have come to hold the fatalistic viewpoint that unless we strangle genius, stifle new inventions, retard the use of modern machinery, do more work by hand and call an immediate halt to this steady march of mechanical progress, there will be created in America, if it has not already been created, a permanent unemployment situation of gigantic proportions. We are told that we must stabilize production at a level on which there is no room for millions of American laborers and millions of American capital.

A careful painstaking analysis of this situation discloses to us that at least many of these statements do not bear the light of truth.

America as an independent nation has been in business over 140 years. In the last seventy years, during which period of time our greatest inventions have been perfected and utilized, our population has multiplied by five and the number of our wage earners has been multiplied by seven. The value of our industrial output has increased in the exact ratio as has the number of wage earners, yet the earning power of the wage earner today is four times that of the wage earner during the period of the hand worker.

In the year 1914, the year in which the great World War began, factory wage earners numbered 6,896,000. In 1929, just fifteen years later, this number had increased to 8,826,000, an increase of 28 per cent. During

the increase in the number of employees was 16 per cent greater than was the increase in our population.

Who is there today who can, with assured accuracy, state that the day of scientific invention is a thing of the past? Who will assert that future progress does not again lie in new inventions and new machines, which will again create new industries and require an ever-increasing amount of labor on an increasingly higher level of achievement? Who is there among us today who can, with assured accuracy, state that labor-saving machinery has not been the prime factor in creating permanent employment of a higher and better type rather than creating an unemployment problem as is so often referred to by certain economists and sociologists?

It would seem that this situation is a paradoxical one, for if one man can now produce as much steel as four men produced prior to the age of modern machinery, why is it then that there are now five times as many men employed? Does the answer to this question prove that labor-saving devices and labor-saving machines have created unemployment? The answer is obvious, for the proof of the pudding is in the eating.

Scientists tell us that we are now on the verge of new discoveries, discoveries far greater than we have as yet known. We are told that there now rest in laboratories inventions which will revolutionize many of our present industries, refine old methods and bring to the American people comforts and luxuries never before dreamed of.

We are also told that new inventions will create new industries. New machines will create the need for additional labor; new discoveries will raise the living standards of our people and increase our purchasing power. New industries will make it possible for our people to satisfy their ever-increasing needs and their ever-increasing desires, and thus continue the steady march of progress which will preserve and strengthen American civilization. Unless we assure the continued progress of civilization, deterioration and disintegration will naturally take place.

The genius of American intellect, the courage of American capital and the steadfastness of American labor have not, and will not fail us in our hour of need. The great problems which lie in our laps today are gigantic, quite true, yet I dare say that in the years to come it will, indeed, be more difficult for us to realize the oc-

Editor's Note:

This article contains the high lights of an address delivered before the Twenty-First Annual Convention of the National Retail Credit Association, Memphis, Tenn., June 20, 1934.

this same period of time, the increase in population was only 24 per cent. In other words, during this, our most fruitful period of scientific invention, when more labor-saving devices and machines were brought into use than during any other similar period, and in those industries which felt the full effects of such labor-saving devices,

casation for the great discouragement and the ofttime tragic moments of despair which exist in high and low places during the period through which we are passing.

Let us call to the attention of those who subscribe to these theories of overproduction the fact that we have a plan known as the "American Plan," one that has long been in existence and has met success heretofore incomparable in modern history. The American Plan was successful, gentlemen, because Americans had faith in it—because they had the courage to stand by it. They *believed* in the American Plan, and results justified and continue to justify that belief.

Quite true, the American Plan has many imperfections, yet the age that it has produced provides more comfort, greater security, more leisure and greater economic reward to the individual than have ever been produced by any other period or condition of life that has existed in this workaday world.

In moments of adversity, we are all prone to forget that there ever were moments of economic and social well-being. During the dark hours of deflation and depression, man is all too apt to forget that when similar obstacles were previously encountered, the onrush of human progress was only temporarily deferred.

The "lone wolf" in industry must be permanently caged. His exploits and his depredations are too vividly in mind to permit him or his kind to longer prey upon the American public. I have an abiding faith in the American people. I believe in their honesty and in their integrity. I believe that they possess the intelligence to determine values for themselves.

In bewildering periods, they may temporarily waiver. In moments of despair, they may subscribe to new and untried doctrines, yet through it all they so highly appreciate the heritage which their forebears handed down to them that they in turn will strive diligently to pass it on, untarnished and unsullied to succeeding generations. There need be no doubt that in the long run American genius and American courage will determine America's course, and that this course will not lead us to reactionism, or to stand-pat-ism, neither will it lead us over the equally dangerous shoals of state socialism, fascism or communism.

We have witnessed the existence of abuses in the American Plan. Certainly we do not condone them, yet in moments of despair and in moments of discouragement we must not lose our perspective. The American Plan has stood the test. Our troubles are the result of our own follies, our own failures, rather than the unsoundness or impracticality of the American Plan.

There, gentlemen, you have the American Plan. Thrift, industry, diligence, self-reliance, courage, resourcefulness are required that we may acquire the tools with which to reap our own harvest.

Let our future goal be one of tolerance, one of patience, embracing acceptance by business, by industry, by finance, and by labor as well. May there be no permanent restraints, except those imposed by our own will

and for the common good of all. The program which will produce the best results for the largest number of our people is the program which should be adopted—is the program which we should make effective.

Our material prosperity rests upon the character of our people, and that, in turn, rests upon our spiritual faith. If we are to carry on and perfect the structure which our fathers have built, we must have faith—we must devote ourselves unreservedly to the ideals exemplified by the life of the Lowly Nazarene. We must believe in them. We must believe in Him. We must practice them. We must follow Him. Then only can we be certain of our progress.

As long as we are inspired by that spirit; as long as we preserve individual freedom, as long as we preserve individual responsibility, as long as we preserve the opportunity for individual achievement—as we have done, and as we propose to continue doing—just that long can we, with confidence, look forward to a better day. Just that long can we, with justification, have faith in America.

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"United We Stand--"

(Continued from page 3.)

both in submitting their own problems and in helping to solve the problems of others.

Remember, it's your magazine. We want you to consider it as such—to send in contributions for its pages, to offer comments, criticisms and suggestions, in short to consider yourself as a part of the editorial staff—a contributing editor, if you please.

These thoughts are inspired by a letter just received from a member, which we are reproducing below—verbatim:

In this day and age, you have doubtless found it difficult to please the large number of people with different tastes and ideas which the National Association strives to serve.

In the efforts of your office to achieve the impossible, I feel you have made a very fine contribution in the July issue of *The CREDIT WORLD*, which to me and others to whom I have spoken is unusually interesting and instructive. This same comment was made to me by a prominent business man from a near-by city, who was passing through here and whom I have known for many years.

I felt it only proper to voice my opinion as so many times people enjoy *The CREDIT WORLD*, but fail to make any comment and you have no way of knowing, by their silence, whether or not the magazine is serving its purpose, which I feel sure it is doing.

A chain is as strong as its weakest link, and the accomplishments of this Association will depend upon the action of its members.

"United we stand, divided we fall."

Credit Flashes - - Personal and Otherwise

President Reed Honored by Denver Merchants and Credit Executives

On Tuesday evening, July 10, Charles M. Reed was the guest of honor at a dinner party given by some twenty of Denver's leading merchants and credit executives at the exclusive Denver Club to, according to a report received from Russell H. Fish, president of the Denver local, "properly display our delight in his election as President of our National Association."

"The meeting," writes Mr. Fish, "was an enjoyable affair, very informal, just a good-fellowship, get-together party. There were no speeches—just several very timely and appropriate remarks for the occasion, and the reading of congratulatory telegrams from representative credit executives and bureau managers throughout the country."

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Minneapolis Association to Celebrate Anniversary of Founding of National Association

The Retail Credit Association of Minneapolis will hold an "Anniversary Celebration" on August 17, the twenty-second anniversary of the founding of the National Retail Credit Association, according to an announcement just received from S. L. Gilfillan, "the Father of the Association."

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A National Office Visitor

Gus Cohen, Credit Manager of Linz Bros., Dallas, Texas, a charter member of the Dallas Association, was a National Office visitor on July 12. He was passing through St. Louis en route from the Chicago World's Fair to the Ozarks, where he intended to stay a few weeks.

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Memphis Credit Men Elect McClean at Outing

Members of the Memphis Retail Credit Association and their friends celebrated the election of officers at their annual outing last night at Maywood with a swimming party, burlesque show, picnic supper and dance. About 175 persons attended.

J. Porter McClean was elected president, succeeding H. C. Stroupe. Other officers are Leon T. Whitten, first vice-president; J. J. Valentine, second vice-president; M. G. Liberman, secretary.

Talmage Orr, Mrs. B. J. Haley, Clarence Banning, O. S. White, Leo P. Herrington and Stuart Coleman were named directors.

George A. Lawo, honorary president for life of the local association, and recently elected president emeritus of the national body, was presented with a sterling silver centerpiece by his coworkers, in honor of his work as general chairman of the national convention here this summer. Joseph M. Forbis made the presentation.

—*Memphis Commercial Appeal*—July 13, 1934.

Nashville Elects Brandon President

The Nashville Retail Credit Association has just elected C. W. Brandon, Credit Manager of Sterchi Bros., Inc., as its president. Mr. Brandon, who has been in Nashville for the past year, was formerly Credit Manager for his present firm at Mobile, Ala.

Prior to that, he was engaged in retail credit work in Tulsa, Okla. He is a young man and an enthusiastic worker in the upbuilding of the local and national credit associations.

Other officers elected for the coming year were: H. N. Lampley, first vice-president; Emma Schneider, second vice-president; W. J. Stephens, treasurer and E. C. Harlan, secretary. Directors: E. R. Burton, B. C. Nance, Rhue Roberts, Minnie Oglesby, G. K. Taylor, E. B. Thweatt, H. L. Reagan, R. H. Poindexter, C. L. Watkins and L. L. Wright.

Mr. Harlan, the secretary, recently added 14 new National members as Nashville's contribution to the "5-Point Membership Campaign."



C. W. Brandon

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The Tri-State Convention of the Associated Credit Bureaus of Colorado, Wyoming and New Mexico will be held at Pueblo, Colo., August 12, 13 and 14.

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The North Central Credit Conference

The North Central Credit Conference of the National Retail Credit Association, held at Duluth, Minn., July 8-11, was an outstanding success. Attendance was good and an elaborate program was presented.

The Associated Retail Credit Men of Duluth and the Merchants Credit Association of Superior, Wis., who acted as hosts on the occasion, are to be congratulated on the thoroughness of their program and the lavish entertainment features provided for their guests.

Mr. A. C. Pearsons, Secretary and Credit Manager of French and Bassett Co., Duluth, gave a very interesting historical sketch of the growth of the National Association, which we hope to publish in the near future.



Building New Business

By H. R. GABRIELSON

Credit Manager, The Hilton Company,
Minneapolis, Minn.

UNTIL recently, the duties of the credit manager have been more or less limited to accepting and declining new accounts and to collections. Now, he has become an important factor in building new business for his organization. He is in a position, not only to cement the ties of friendship, good will and confidence between his house and its charge customers, but also to secure new business by ever adding to the firm's list of accounts, as well as reviving those accounts which have become inactive.

The methods of building new business come mainly under three heads: First, newspaper advertisements; second, through employees; third, by the use of direct mail. Newspaper appeals for new charge customers must be used with care, otherwise the drawbacks will outweigh the benefits. Salespeople and employees contact many logical customers, but inasmuch as their success in new account promotion is confined to the contacts they make, this method has its limitations.

The supreme advantages of direct mail are its adaptability to selected groups and the fact that it is personal. Through its use the right message can be sent to the right people at the right time. It enables the smallest merchant to compete on equal footing with the largest. I am, therefore, convinced that of the three methods mentioned for the promotion of new business, direct mail presents infinitely more advantages and surely greater opportunities.

Building new business by means of direct mail is a simple, obvious procedure. Those who will carefully analyze their selling problems, determine the correct selling appeal, plan the timeliness of presentation and adhere to a plan laid out in advance will have little or no worries as to satisfactory returns at nominal cost.

The successful business is built around the individual who can be educated to use the product or service you offer. To accomplish this, the simplest form of direct mail promotion, namely the *Personal Letter*, is the best. That practical knowledge of human nature which the credit man is everlastingly using in his routine work can be employed to make advertising of this type bring results. We realize that mankind is by nature selfish, sensitive and full of pride. In writing to him it is, therefore, wise to use the pronoun "you" often. The active voice is stronger and more persuasive than the passive. Be specific. Short sentences, brief paragraphs, and simple words are the best. Don't try to be humorous unless you have known talent.

Your letterhead is your ambassador, it reflects the personality of your organization. The mails are crowded with literature of every shape and quality. If your message doesn't make the proper impression in competition with the others, for attention, it will become lost altogether and your efforts will be wasted. If your business is really worth while, produce a letter finely done, reflecting the dignity and character of your organization. If you achieve a thing of beauty, the world long remembers you and uses your product but an ugly thing is quickly thrown aside.

The selling process in your letter should begin with securing attention and continue through interest and desire, to action. Outline the facts and reasons of your message on a basis by which, getting to the end of your letter, you may logically urge action.

In writing a series of letters, divide the arguments and points among several letters. Make variety your object. Each letter may be signed by a different store executive. One letter may tie up with a special sale; another with a holiday, as Thanksgiving.

Your letters should not be tearful pleas for new business, but messages that radiate good will and friendship.

Lists of names are the foundation upon which the whole structure of the successful direct mail business-building campaign is built. In compiling your mailing list there is but one safe way to select the names, and that is to look at them exactly as a good sales manager looks at a territory.

Such an executive considers his own proposition first: Is the prospect located within a possible trading area? What are the factors that limit the use of the merchandise? What is its price range? The answers to these and similar questions determine the class of people who are your logical prospects. If the compiler of the list will subject each name to the test established by his firm, it will automatically eliminate those people whom it would be unprofitable to solicit. Naturally, if Mrs. Russell is a widow, now residing in a hotel, she is not a prospect for the family wash laundry. And if the Brown family's income is \$150 per month they are not prospects for the oriental rug shop.

Lists of names are available from your own records, such as Cash Customers, C.O.D. Sales, Delivery Records, and Alteration Tickets. Your local "Credit Guide" and City Directory can be checked for names of logical prospects. Organizations of all kinds are excellent sources of names. Some firms choose to buy their lists from compiling companies, the better class of which

guarantee their lists to be from 95 per cent to 98 per cent accurate.

Non-competitors, selling the same general class of people you sell, are often willing to exchange names of prospects and customers for your mutual benefit. Very often the buyer of one type of merchandise will automatically place himself in the market for a related product, such as in the building material and equipment fields.

Another effective method is to enclose a prepaid, return, addressed postcard with your monthly statements on which your present customers are thanked for their patronage and asked to write the names of persons whom they believe might be interested in charge accounts at your store.

If properly compiled, properly checked and properly maintained, a mailing list usually represents a value many times its original cost.

New accounts are indeed desirable and well worth the care and effort to obtain them, but even more desirable is it to arouse to activity those accounts that have proved their lucrative character in the past. This ever-increasing list of inactive accounts is one of the largest fields for additional business, and possibly one of the most neglected by many houses.

The groundwork of an "inactive charge-account campaign" is similar to that of a campaign for new accounts, with the exception of the use of differing types of appeal according to the length of time the account has been inactive. It is well to classify such inactive accounts according to the length of their inactivity. The longer the account has lapsed, the more intense must be the campaign. A six months' inactive account demands usually two letters, at least. One year inactives will probably take three or four, depending upon many factors, some of which, unfortunately, can never be known to the store.

Naturally, these too often unknown factors include the reasons that the accounts have become inactive. In planning a campaign, an intelligent approach on the whole subject is a close analysis of all the elements which might have produced dissatisfaction.

It may be that there has been a drastic change in store policy that has antagonized some of the charge customers. Possibly credit regulations or service changes which may be necessary and profitable in the long run have created a temporary wave of dissatisfaction. Often such changes may be explained and the customer won back by the use of a little tact and diplomacy.

If there has been a recent change in price lines in certain departments, this information may be the theme of an excellent merchandise tie-up for the reclaiming of inactive accounts. The study of such a campaign leads inevitably to the conclusion that the basis must be the careful investigation of the buying habits of the inactive customers, the possible reasons for the discontinuance of their accounts and a correlation of these facts with merchandise tie-ups that are available. The store is indeed fortunate that does not see 15 per cent to 20 per cent of its accounts become inactive each year.

Well-planned inactive account campaigns more than justify themselves in immediate returns in volume, in regaining old friends, and in creating a more general feel-

(Continued on page 32.)

Two Resolutions—Published by Request

Complying with the requests of the Boards of Directors of the Associated Retail Credit Men of New York City, and of the Retail Credit Association of New Jersey, we are publishing resolutions of the respective Associations:

New York, N. Y., July 25, 1934.

The Board of Directors of the Associated Retail Credit Men of New York City, Incorporated, unanimously adopted the following resolution last evening and request publishing of same in *The CREDIT WORLD*: "Be it resolved that the board of directors of the Associated Retail Credit Men of New York, representing a membership of more than eight hundred, go on record as being opposed to resolution No. 1, entitled, 'Opposing any affiliation with the Credit Management Group of the N. R. D. G. A.,' adopted at the Memphis Convention of the N. R. C. A." (Signed) A. B. BUCKERIDGE.

* * * * *

Newark, N. J., July 27, 1934.

Whereas resolution No. 1, entitled "Opposing any affiliation with the Credit Management Group of the N. R. D. G. A.," has received the serious consideration of our Board of Directors, and we are not in sympathy with it believing it to have been passed without sufficient or due consideration, whereas:

"It is resolved by the Board of Directors of the Retail Credit Association of New Jersey to go on record as being opposed to the Resolution known as 'No. 1—Opposing any affiliation with the National Retail Dry Goods Association Credit Management Group,' which was passed at the National Convention of the National Retail Credit Association in Memphis, Tennessee, on June 22, 1933."

—H. P. MENAGH, Secretary.



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News of the Credit Women's Clubs

Portland Club Starts Employment Service

This month most of our girls and women are on vacations and other than the usual club activities we have been rather quiet. We are endeavoring to start an employment committee in our midst as we believe that business conditions are showing a big improvement. This service would be a benefit to the girls by aiding them in obtaining employment and also to members of the Retail Credit Association inasmuch as they would be receiving experienced credit women. This service, of course, is open only to members of the Credit Women's Breakfast Club.



Lucille Granum

New officers of the club are: Lucille Granum, president; Catherine Goodale, vice-president; Lauraine Stewart, secretary; Helen Bishop, treasurer.

We look forward to another successful club year.

—Catherine Goodale.

» » »

Vancouver's C. W. B. C. "Broadcast"

The Vancouver Credit Women's Breakfast Club "on the air" and very pleased to announce that Vancouver is not the only city which can boast of a Credit Women's Breakfast Club in Canada. Victoria has organized a Breakfast Club and held their first breakfast meeting on July 11, with 51 members present. Good Luck Victoria!

New Westminster is busy at the present time organizing and hopes to be in full swing by September. Good Luck, New Westminster! We wish to say "Hello" to all other "C. W. B." Clubs and would be glad to hear from them—any time.

—Beverley Wishart, Secretary.

» » »

Congresswoman Addresses San Francisco Club

On July 11, the Honorable Florence P. Kahn, Congresswoman for California for many years, addressed the San Francisco Credit Women's Breakfast Club. Mrs. Kahn spoke on "Present-Day Legislation and What It Means to You."

The San Francisco Club took great pride in obtaining Mrs. Kahn's consent to appear. Her remarks were most interesting and enlightening and the entire membership appreciated her presence.

A record number attended this breakfast; one hundred members and guests being present. This is looked upon as a sign of progress, especially since July is a month selected by a great many San Franciscans for their annual vacation.

—Madelyn Howard.

Spokane Club Holds Joint Picnic With Credit Association

The Spokane Credit Women's Breakfast Club thought it would be a fine idea to have a joint picnic with the Retail Credit Association. Committees began to function and the result was a successful picnic held on July 26, with about 225 attending.

Needless to say the ball game was won by the ladies (due, of course, to the generosity of the umpire, who later was presented with a pair of loaded dice). The slow-motion race in which the handsomest men were participants (clothed in old-fashioned ladies' and men's bathing suits) was worth the price of admission.

There were other contests and community singing. A grand time was had by all, and who knows it may be the beginning of an annual affair.

Mr. J. W. Moss, President of the Spokane Retail Credit Association, gave a very interesting report, at our last business meeting, on the National Retail Credit Convention.

—Ethel M. Dopp.

» » »

The Seattle Credit Women's Breakfast Club continues to hold semimonthly breakfast meetings during the summer and attendance is remarkably gratifying. Good speakers with educational messages are regular features together with vocal and musical selections. Because of the unusual water-front conditions caused by the strike, it was necessary to postpone the yachting party scheduled for July, but if all goes well, there is still plenty of time and plenty of enthusiasm.

—Elizabeth Coburn.

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South Bend Claims First "C. W. B." Club in Indiana

It might be of interest to some of our friends to know that a number of women engaged in credit work in our city on May 1, organized the "Credit Women's Breakfast Club," with the following officers: President, Mrs. Verne Zimmerman of the Ellsworth Store; Vice-President, Mrs. Florence Loughin of Frances Shop; Treasurer, Mrs. Harriet Jewell of Robertson Bros.; Secretary, Miss H. M. Bruggner of the Credit Bureau.

The club is organized more for educational purposes than social, the plan being to study some phase of credit work at each meeting and follow with a round table discussion. Meetings are held every other Tuesday morning at 7:45 A.M.

We believe we have the distinction of being the first breakfast club to be organized among the retail credit fraternity in Indiana. We are quite enthusiastic about our new club and look forward with interest to announcements regarding the activities of other breakfast clubs.

We expect to use many of the educational articles in The CREDIT WORLD as a basis for our discussions.

—H. M. Bruggner.

A Worth-while Book for Sales-Minded Credit Executives

Credit Department Salesmanship, by John T. Bartlett and Charles M. Reed, is the only book ever published on this subject. It is a book crammed with ideas for building more business through the Credit Department. Every credit executive should have a copy of this book, the standard textbook of the National Retail Credit Association's "Credit Department Salesmanship" Course.

Among the subjects covered are: Salesmanship in Credit Interviews; Selling New Credit Policies to the Public; Collection Salesmanship; Cooperation Between the Credit and Sales Departments; New Account Promotion; The Modern Science of Customer Control. The price is \$3.50. Order from the National Office.

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Credit Courses to Be Resumed This Fall

The study courses in Credit and Collection Procedure and Credit Department Salesmanship, conducted under the auspices of the National Retail Credit Association, are to be resumed this fall. Full details will be announced as soon as plans are formulated.

The value of such training is emphasized in the following article entitled "The Value of the Retail Credit Practice and Procedure Course to Me," submitted by a former student of one of the National courses, Mrs. Frank Thomas of the Credit Department of Davison-Paxon Company, Atlanta:

The course offered by the National Retail Credit Association embracing Credit and Collection Procedure afforded me—as well as all other participating students—the advantage of gaining a fuller and more sympathetic conception of the responsibilities and duties falling upon the credit manager.

While it could not give one that wisdom and insight gained only through years of practice in credit granting, the course did provide a substantial and intelligible foundation for credit work, essential to building a keen and alert credit and collection manager. Having assimilated the valuable information contained in this course of study, one is then well equipped to put these theories to practice and add to this background the knowledge acquired through actual practice in credit granting.

The course was most worth while to me, personally, in that I have—since completing it—been given a position in one of Atlanta's leading department stores, involving the duties relevant to opening new accounts, and I have found the training gained during this course of inestimable value.

I consider myself extremely fortunate in being allowed the opportunity to take advantage of this special study, afforded by the National Association, and the honor of being chosen one of the winners in the final awards a distinct achievement for my humble efforts.



Mrs. Frank Thomas

"Pro-Rating" or Pooling Accounts

(Continued from page 21.)

that its value cannot be estimated in dollars and cents. Should they, however, succeed in their appeal (which is very doubtful) then, of course, much of the good which has been accomplished may be forfeited.

So much for cooperation and coordination. Now for procedure:

It is the firmly established policy of the Adjustment Department to have the debtor submit, in his own handwriting, a complete list, showing the names of his creditors and the amount due each of them. Likewise, to submit a budget of his current expenses. The theory on which the arrangement revolves is that, if the man is allowed sufficient with which to cover his current living expenses, such as rent, groceries, public utilities, fuel, cost of transportation, insurance, and some incidental allowance for amusement and clothes (determined by his earning capacity, and the amount of his indebtedness) then—any amount which is specified as payment against the accounts can be paid without depriving his family of the essential requirements, during the period of liquidation.

When the earnings, the monthly expense, and the surplus have been determined, an assignment is procured and the creditors advised of the arrangement. For this service, the debtor is charged 10 per cent of the total owing, while the creditor is assessed 5 per cent for the collection of his account. That is, with only two exceptions—the public utility, which continues to give service—and—the "3 per cent per month" loan firms, who refrain from foreclosure on chattels, and in the case of co-makers, waive action against them, so long as the prorate is in force. (The paramount reason contributing to this latter exception is the fact, that since interest is charged on the unpaid balance it would hardly be fair to further penalize the already heavily burdened debtor by charging the loan company who, in turn, would compute their interest on a larger unpaid balance.)

Inquiries from other offices indicate that much difficulty is encountered in securing the acceptance of some creditors, who do not consider their accounts as open charge accounts. Particularly is this true of contract accounts and salary loans. This situation does not exist in Portland, and the fact that it does not is entirely due to the realization upon the part of such businesses, that the debtor is entitled to consideration upon the part of his creditor, and that their accounts, under the prorate plan, cannot be classed as preferred.

The confidence which is reposed in this office is adequately demonstrated by the fact that there are no meetings of creditors called, and that the judgment of the adjustment department is concurred in by all concerned, since not one case presented for consideration has been denied.

What has been proved possible in our city, can be achieved elsewhere. Not one of you can afford to overlook the importance of proper contacts and cooperation. Use the accomplishments of Portland as a goal to aim at for yourselves. You can do it, if you are willing to put forth the necessary effort. Knowing that you are, I bespeak for you, success equal to that of the Portland office.



WASHINGTON BULLETIN



R. PRESTON SHEALEY

Washington Counsel, National Retail Credit Association

FOREWORD

OUR national debt is said to be around thirty billions of dollars—but is it? R. F. C., H. O. L. C., and P. W. A. loans are included in these figures as liabilities, but informed Washington thought believes that by far the greater portion of these loans will be repaid if business continues on the upgrade. Typical is the attitude of H. O. L. C. officials who say that the vast majority of mortgagors will make every effort to repay their mortgages and are indicating it by their payment of interest and that—as the government is paying around 3 per cent on its three billions or so of borrowed money and is loaning the money at 5 per cent, the difference will take care of any resultant losses from foreclosures and over-appraisals.

However, there is another side to the picture, especially in the case of P. W. A. loans, where political pressure may be asserted to force Congress to forgive the borrowed money. It would appear, therefore, that the present congressional campaign affords an unusual incentive to be on the job for those who believe that to "Treat your Credit as a Sacred Trust" means something.

Legislative

The Seventy-Fourth Congress will not convene until next January, but August is not a bit too early to take stock of that next Congress. Ten million or so unemployed, less those who may find employment in the fall, but plus drought sufferers, brings directly into the picture taxation and possible inflation by way of congressional action. Continuation, modification, or discontinuation of codes loom large on the horizon and the railroad question is still unsettled. The Federal Communication Board is moving at such speed in delving into facts in regard to telephone, telegraph, and wireless that that question may be reflected in proposed legislation.

Bankruptcy Bills to be Pushed in Next Congress

Certainly *bankruptcy* with its companion, *frozen consumer credit*, will be pressed for action. In response to Memphis convention resolutions, our legislative committee has already mapped out plans in connection with these problems in the next Congress and they are expected to be laid before the N. R. C. A. in the September issue of *The CREDIT WORLD*.

Departmental

Now -- the A. A. A. Has a Rival

The A. A. A. has a rival at Centreville, Maryland, only seventy-five miles away from the Capitol. Strange

to say, it is the idea of a Columbia University professor but unlike the Wallace-Tugwellian brand of relief, is not costing the taxpayers a dollar. Professor W. B. Pitkin of Columbia is experimenting with 7,500 acres on Maryland's eastern shore, on a central management plan and is endeavoring to solve the farmer's problem.

This plan calls for a cost accounting system, "plow land" placed under a central manager giving his full time to the job, and research and distribution systems. The plan also envisages 100 per cent utilization of farm tractors, threshers and other machinery and full-time use of trucks and drivers to near-by industrial centers. A canning factory has been completed to take care of farm surpluses. So far as developed, the plan promises well and is susceptible of nation-wide duplication, if successful.

Code Plans for Credit Bureaus

Service bureaus of the N. C. C. R. C., if the present arrangement of affiliation with the President's Reemployment Agreement or with the retail code is not satisfactory, may be able to operate under a basic code which is now in the final stages of preparation by NRA. The basic code will largely concern labor conditions. Advocates of code operations and opponents have succeeded in focusing attention on some of the difficulties of NRA with the consequent result that changes in operation are coming rapidly into the picture.

National Housing Set-Up Getting Under Way

Operations under the National Housing Act are under way and officials to administer it under the direction of Federal Housing Administrator James A. Moffet are rapidly being appointed with headquarters in the new Post Office building in Washington. In a general way it may be said that these loans will be administered through banks, trust companies, mortgage companies, personal financing companies, building and loan associations, installment lending companies, and other financial institutions who may borrow under the act for the purpose of financing alterations, repairs, and improvements upon real property.

While, unlike the H. O. L. C., the Housing Administrator will not make direct loans, some of the machinery of operation will be similar since the functions of the act will be in large part administered by state administrators, now rapidly being appointed.

Court Decisions

In re Gurney, 71 Fed. (2d) 144, recently decided, presents a somewhat unusual case; that of a voluntary bankrupt being denied his discharge. The bankrupt was

the president of a corporation which went into the hands of receivers of March 25, 1932, and was liable as endorser on paper of the corporation for \$147,000,000 which matured a day or two thereafter.

On March 26, he drew his salary check for \$4,840.06 and immediately turned the same over to his wife "for household expenses." The wife used \$1,600.00 of this money for interest and taxes on their home, the title to which was in her name, and paid directly to her husband checks allocating \$700.00 as well as \$764.16 on her husband's insurance policy, which was exempt from his creditors.

The District Judge denied the discharge, being convinced that the bankrupt "was attempting to salvage for himself a little bit of the wreck at the expense of his creditors." This decision denying the discharge was affirmed by the Circuit Court of Appeals.

For downright hardship, the case of *Griffiths vs. Commissioner of Internal Revenue*, 70 Fed. (2d) 946, in which a rehearing was denied by the Circuit Court of Appeals for the Chicago Circuit takes the cake. From the decision, it would appear that the taxpayer in 1924 "paid \$31,108.54, in commissions and fees to real estate brokers and attorneys in connection with a lease executed by him for a term of ninety-nine years." The Commissioner of Internal Revenue and B. T. A. held that the amount as paid was a capital expenditure and could not be deducted in full in 1924 as a business expense, but should be allocated over the entire ninety-nine-year period.

The taxpayer naturally disagreed with this view and felt that as he had paid these expenses in one year, he should not be forced to live ninety-nine years before he could get back the entire payment by way of a deduction from his income tax. The taxpayer will have to look to Congress for relief since the C. C. A. ruled that revenue laws do not permit that relief.

Frequently dealers in heating, plumbing, ventilating and kindred systems and dealers in household appliances, guarantee the work for a specified time after performance or after sale and delivery. Sometimes, such guarantee requires repairs or other adjustment necessitating expense.

Such situations develop Federal income tax questions, but the answer is supplied by The Board of Tax Appeals in *Scholl v. Commissioner of Internal Revenue*. The syllabus of the decision is as follows:

"Income derived from contracts containing 'guarantee' clauses, guaranteeing work thereunder against 'imperfections' due to faulty workmanship and defective materials, etc., for a period of one or two years after completion of the subject matter of the contract, should be included in gross income in the year in which received and not at the end of the 'guarantee' or maintenance period."

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An Association Booster

The National Office is in receipt of a letter from Mrs. Verne A. Zimmerman, Credit Manager of Ellsworth's, South Bend, Ind., in which she makes some very encouraging remarks which we are quoting:

"I really don't know how I would have been able to 'carry on' during these trying times, if it had not been for our credit affiliations with the National Association and the local credit bureau."

YOU NEED This New Book

"Proven Plans to Speed Collections and Timely Tips to Trim Office Overhead"

Copyright, 1933

THIS book is from the pen of a man who has spent over twenty years in the study and practice of the art of collecting money and retaining the good will and patronage of those from whom he collected.

In this book will be found:

- 288 successful collection ideas, plans and letters.
- 470 collection paragraphs in a unique letter book arranged according to appeals to different emotions, classified and numbered for convenient use, including—
- 204 effective ways to close your collection letter for action.
- 147 attention-getting opening paragraphs for collection letters.
- 119 miscellaneous collection paragraphs classified according to appeals to pride, fear, sense of fairness, etc.
- 51 tracing tricks and schemes to locate the debtor who moves.
- 42 time and labor saving office short cuts and postage saving ideas.
- 25 specific ways to cut bad check losses and points to watch in cashing checks.
- 10 ways to use the telephone to improve collections.
- 4 ways to locate debtor's place of employment.
- The most successful plan of a Texas collection expert in collecting from farmers.
- How to get your money on defective remittances and bad checks.
- How a Dallas collection expert collected a six-year-old judgment in Texas where wages cannot be garnished, from a debtor with no property, who carried his bank account in another city under his wife's name.
- A plan used by one merchant to educate his customers to pay by the 10th.
- A letter that asked only for a date but brought back checks in all but one case.
- A scheme that collected 50 per cent of a big list of small publisher's accounts and made the debtor smile as he paid.
- A clever stunt in following up broken promises that brought in 80 per cent returns within five days.
- A plan that speeded up collections 75 per cent on accounts under \$10.00.
- A plan that enabled a dentist to collect 98 per cent of his accounts over a period of ten years.
- A simple plan that enabled a wholesale credit man to reduce his bad debt losses to less than 1/15 of 1 per cent over a period of seven years.

This is really more than a book. It is a working kit for the credit man, the merchant, the professional man or anyone who has anything to do with collections.

You also get a letter and paragraph book with definite and specific instructions on how to use it as well as a generous supply of blank pages to enable you to add your collection letters and paragraphs and tie this right in with your own business.

Handsomely bound in serviceable black, imitation leather (loose leaf), size 9x11 inches, it is a most unique portfolio—a veritable treasure book of PROVEN PLANS TO SPEED COLLECTIONS AND TIMELY TIPS TO TRIM OFFICE OVERHEAD.

The price originally set for this was \$15.00 but to make it available to a larger number, it may now be purchased for the unbelievably low price of

\$5.00

ARTHUR P. LOVETT
4455 PENN STREET KANSAS CITY, MO.

Charging Interest--

(Continued from page 5.)

sure. Even though this charge is being made on an account each month, your collection department should continue its follow-up of the account and try to effect a monthly reduction in the balance owing. In fact, because of the age and condition of the account, the collection department would have every right to work on the indebtedness more vigorously.

"Any additional credit extended to an account bearing interest charge should be allowed with a definite understanding that this additional credit be paid within thirty days, and, besides this, that the old balance be reduced as much as possible each month."

A few changes were made, one being that the itemization of the charge was changed from "interest" to "carrying charge," and the minimum charge was placed at 10c. All balances of \$5 or under were disregarded, but in the main this agreement, signed by the heads of our seven leading retail establishments, was maintained without any intentional violation and, while a grievance board consisting of employees of the credit association was appointed, the few cases which were brought to their attention were satisfactorily explained by the offending members.

It is possible for any store to adopt this idea independently without detriment to its volume, but the possibility of complete success in an undertaking of this kind is far greater if it includes all representative stores in an agreement.

Interest was charged on delinquent accounts at The Halle Bros. Co. for several years before the community policy was adopted and there is no doubt that our success in proving the principle influenced the other Cleveland stores to line up. Likewise, at the present time there are certain stores in Akron, Canton, and Columbus, Ohio, as well as Detroit, which are charging interest independently pending the time when an agreement may be reached.

Here are some facts which have been gained during the time this plan has been operated:

About 16 per cent of all accounts are in the interest classification. The cost of placing this charge upon the books is about 5 per cent of the gross interest charges. The amount remitted to the customer is negligible, being 4 per cent of the same figure. The principal objection which has been raised by those contemplating the adoption of this policy, that is, reluctance because of fear that the public would not accept it in the spirit in which it was intended, was not experienced. But—to our most agreeable surprise—almost without exception, the retail credit buying public have recognized the fairness of this charge and in many instances have thanked us for extending the opportunity to pay for the time taken.

In our case we have had only two worth-while customers become estranged and last week it appeared that one was going to pay the interest and return. We occasionally discuss habitual objectors at our weekly credit experience luncheons and in this manner unify our arguments and actions. Some of the stores would like to shorten the period of grace so that interest would be charged after sixty days from the date of purchase, feeling that we are entitled to it and that the customer would willingly consent. Personally, I believe it should be done

and that any city inaugurating this policy should begin at sixty days.

Finally—there isn't a man here who, if he knew how much in dollars and cents was added to our annual net income from this source, could afford to disregard the opportunity. It amounted to about 1/3 of the charge-off against reserve for depreciation during 1932 and 1933!

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Building New Business

(Continued from page 27.)

ing of good will toward the store as a vital part of the community.

Recently I made a review of the inactive accounts at Hilton's. It was indeed surprising to find out just how many of our old, good customers had quit buying from us. There were also any number of accounts that had been opened for the purpose of purchasing only one suit, topcoat or overcoat. From these inactive accounts I selected a group to attempt to revive.

My first step was to check these inactive accounts against the "Credit Guide" to make certain that I did not write any customers who had "gone bad." I also checked the addresses as carefully as possible in order to minimize the number of letters incorrectly sent. When I had completed this checking, I found that I had 2,000 inactive accounts to work on.

The preparation of my letter came next. In the first paragraph I told the customer I wondered why his account had not been used for such a long time, even going so far as to express some concern about it. In the next paragraph I stated that if our service was at fault anywhere, or our stocks incomplete, I would certainly like to know about it. This I followed by a little sales talk explaining some of our "best buys" in new spring and summer suits. In closing I extended the customer my personal invitation to come in again soon, finishing my letter with this paragraph:

Drop in, look around, ask questions, see our new displays, and if you find something you need, just feel that your personal charge account is O. K. for use right away.

My letter was personal and informal all the way through.

The letters were multigraphed with fill-in of name and address so closely matched that it was really impossible to tell that the entire letter had not been typewritten. Of course I personally signed each letter.

To date 18 per cent of those to whom I wrote have been in and made purchases. It has already meant several hundreds of dollars in additional business, and in view of the fact that they still keep coming in and purchasing in response to that letter the percentage of returns will materially increase within another month.

Very shortly, I plan on re-soliciting those who did not respond to my first letter and while I know that the percentage of the returns will be not as great as they originally were, I am positive that the additional business it will bring will well warrant my second letter.

Editor's Note: This article is from an address delivered before the Conference of the North Central Division, National Retail Credit Association, Duluth, Minn., July 9-10, 1934.

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